

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own financial advice immediately from an appropriately authorised stockbroker, bank manager, solicitor, accountant or other independent financial adviser who, if you are taking advice in the United Kingdom (“**UK**”), is duly authorised under the Financial Services and Markets Act 2000 (“**FSMA**”) or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

This document comprises a prospectus (“**prospectus**”) relating to Adriatic Metals Plc (the “**Company**” or “**Adriatic**”) prepared in accordance with the prospectus regulation rules of the UK Financial Conduct Authority (the “**FCA**”) made under section 73A of FSMA (the “**Prospectus Regulation Rules**”). This prospectus has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules by being made available, free of charge, at [www.adriaticmetals.com](http://www.adriaticmetals.com) and at the Company’s registered office at Stamford House, Regent Street, Cheltenham, Gloucestershire, England, GL50 1HN. This prospectus has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129. The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the issuer or of the quality of the securities that are the subject of this prospectus.

Applications will be made to the FCA for all of the ordinary shares of nominal value 1.3355 pence each in the capital of the Company (the “**Ordinary Shares**”) which are issued (the “**Issued Share Capital**”) to be admitted to the Official List of the FCA (the “**Official List**”) by way of a standard listing (“**Standard Listing**”) under Chapter 14 of the listing rules of the FCA made under section 73A of FSMA (the “**Listing Rules**”) and to London Stock Exchange plc (the “**London Stock Exchange**”) for such Ordinary Shares to be admitted to trading on the main market for listed securities (“**Main Market**”) of the London Stock Exchange (together, “**Admission**”). It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8:00 a.m. on 12 December 2019. All dealings in Ordinary Shares on the London Stock Exchange prior to the commencement of unconditional dealings will be on a “when issued” basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

The Ordinary Shares are currently listed on the Australian Securities Exchange, where the Company will continue to be listed. The Company is seeking a secondary listing for the Ordinary Shares on the standard segment of the Official List and to trading on the London Stock Exchange.

The whole of the text of this prospectus should be read by prospective investors. Your attention is specifically drawn to the discussion of certain risks and other factors that should be considered in connection with an investment in the Ordinary Shares, as set out in *Part II – Risk Factors* beginning on page 10 of this prospectus. Investors should make their own assessment as to the suitability of investing in the Ordinary Shares.

The Company and the Directors, accept responsibility for the information contained in this prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this prospectus is in accordance with the facts, and the prospectus makes no omission likely to affect its import.

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# ADRIATIC METALS PLC

*(Incorporated in England and Wales with registered number 10599833)*

**Admission to the Official List of 177,715,987 Ordinary Shares of nominal value 1.3355 pence each  
(by way of a Standard Listing under Chapter 14 of the Listing Rules) and to trading on the  
Main Market of the London Stock Exchange**

*Financial Adviser*  
**TAMESIS PARTNERS LLP**

**TAMESIS**  
PARTNERS LLP

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This prospectus does not constitute an offer to sell or an invitation to purchase or subscribe for, or the solicitation of an offer or invitation to purchase or subscribe for, Ordinary Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, publication or approval requirements on the Company.

A Standard Listing will afford investors in the Company a lower level of regulatory protection than that afforded to investors in companies with premium listings on the Official List (“**Premium Listing**”), which are subject to additional obligations under the Listing Rules.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (the “**US Securities Act**”), or the securities laws of any state or other jurisdiction of the United States or under applicable securities laws of Canada, Japan or the Republic of South Africa. Subject to certain exceptions, the Ordinary Shares may not be, offered, sold, resold, transferred or distributed, directly or indirectly, within, into or in the United States or to or for the account or benefit of persons in the United States, Canada, Japan, the Republic of South Africa or any other jurisdiction where such offer or sale would violate the relevant securities laws or regulations of such jurisdiction (each, a “**Restricted Jurisdiction**”).

The Ordinary Shares may not be taken up, offered, sold, resold, transferred or distributed, directly or indirectly within, into or in the United States except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the US Securities Act. There will be no public offer in the United States. The Company has not been and will not be registered under the US Investment Company Act of 1940 ("**US Investment Company Act**") pursuant to the exemption provided by Section 3(c)(7) thereof, and Investors will not be entitled to the benefits of the US Investment Company Act.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of the adequacy of this prospectus. Any representations to the contrary is a criminal offence in the United States.

The distribution of this prospectus in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction.

Apart from the responsibilities and liabilities, if any, which may be imposed on Tamesis Partners LLP ("**Tamesis**"), in its capacity as financial adviser to the Company, by FSMA or the regulatory regime established thereunder, Tamesis Partners LLP does not accept any responsibility whatsoever for, or make any representation or warranty, express or implied, as to the contents of this prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares, the Admission and nothing in this prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Tamesis accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this prospectus or any such statement.

Neither Tamesis nor any of its representatives, are making any representation to any prospective investor of the Ordinary Shares regarding the legality of an investment in the Ordinary Shares by such prospective investor under the laws applicable to such prospective investor. The contents of this prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult their own legal, financial or tax adviser for legal, financial or tax advice.

Tamesis, which is authorised and regulated by the FCA, is acting exclusively for the Company and for no one else in connection with the production of this prospectus and/or Admission and does not regard any other person as a client in relation to the production of this prospectus and/or Admission. Tamesis will not be responsible to anyone (whether or not a recipient of this prospectus) other than the Company for providing the protections afforded to its clients, or for providing advice in connection with the production of this prospectus and/or Admission, or any other matter, transaction or arrangement referred to in this prospectus.

The date of this prospectus is 9 December 2019.

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## PART I

### SUMMARY

This summary is made up of four sections, and contains all the sections required to be included in a summary for this type of security and issuer.

Even though a sub-section may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the sub-section. In this case, a short description of the sub-section is included in the summary with the mention of “not applicable”.

<b>INTRODUCTION AND WARNINGS</b>	
<b>Name and ISIN of the securities</b>	The securities are the Ordinary Shares, which have the ISIN GB00BL0L5G04.
<b>Identity and contact details of the issuer</b>	The issuer is Adriatic Metals Plc, and its registered address is at Stamford House, Regent Street, Cheltenham, Gloucestershire England, GL50 1HN, United Kingdom and telephone number is +44 (0) 20 7993 0066.
<b>Identity and contact details of the offeror or of the person asking for admission to trading on a regulated market</b>	The Company is the issuer and the person asking for admission to trading of the Ordinary Shares on the Main Market, which is a regulated market.
<b>Date of approval of the prospectus</b>	The prospectus was approved on 9 December 2019.
<b>Identity and contact details of the competent authority approving the prospectus</b>	The competent authority approving the prospectus is the FCA. The FCA's registered address is at 12 Endeavour Square, London E20 1JN, United Kingdom and telephone number is +44 (0)20 7066 1000.
<b>Warnings</b>	This summary should be read as an introduction to the prospectus. Any decision to invest in the Ordinary Shares should be based on consideration of the prospectus as a whole by the investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
<b>KEY INFORMATION ON THE ISSUER</b>	
<b>Who is the issuer of the securities?</b>	
<b>Domicile and legal form</b>	The Company was incorporated in England and Wales on 3 February 2017 as a private company with limited liability under the Companies Act 2006 (the “ <b>Companies Act</b> ”) with an indefinite life, and re-registered as a public limited company on 14 February 2018. The Company's LEI is 549300OHAH2GL1DP0L61.
<b>Principal activities</b>	The Company is the holding company of the Group, which is engaged in the exploration and development of polymetallic mining projects in Bosnia & Herzegovina. The Group's primary focus is the development of the Vareš Project.

<b>Major shareholders</b>	<p>As at the Last Practicable Date, the Company is aware of the following persons that, directly or indirectly, hold interests in 3 per cent. or more of the Company's Issued Share Capital or voting rights:</p> <table border="1" data-bbox="421 152 1485 555"> <thead> <tr> <th data-bbox="421 241 1070 271">Name</th> <th data-bbox="1070 174 1305 271">Number of Ordinary Shares held as at the Last Practicable Date</th> <th data-bbox="1305 152 1485 271">Percentage of the Issued Ordinary Share Capital held as at the Last Practicable Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="421 271 1070 300">Sandfire Resources<sup>(1)</sup> .....</td> <td data-bbox="1070 271 1305 300">28,052,232</td> <td data-bbox="1305 271 1485 300">15.78%</td> </tr> <tr> <td data-bbox="421 300 1070 329">Citicorp Nominees Pty Ltd .....</td> <td data-bbox="1070 300 1305 329">17,786,647</td> <td data-bbox="1305 300 1485 329">10.01%</td> </tr> <tr> <td data-bbox="421 329 1070 358">Paul Cronin .....</td> <td data-bbox="1070 329 1305 358">16,851,332</td> <td data-bbox="1305 329 1485 358">9.48%</td> </tr> <tr> <td data-bbox="421 358 1070 387">Milos Bosnjakovic .....</td> <td data-bbox="1070 358 1305 387">16,000,000</td> <td data-bbox="1305 358 1485 387">9.00%</td> </tr> <tr> <td data-bbox="421 387 1070 416">BNP Paribas Nominees Pty Ltd .....</td> <td data-bbox="1070 387 1305 416">11,123,709</td> <td data-bbox="1305 387 1485 416">6.26%</td> </tr> <tr> <td data-bbox="421 416 1070 445">Glamour Division Pty Ltd .....</td> <td data-bbox="1070 416 1305 445">9,148,192</td> <td data-bbox="1305 416 1485 445">5.15%</td> </tr> <tr> <td data-bbox="421 445 1070 474">Emanuel Datt<sup>(2)</sup> .....</td> <td data-bbox="1070 445 1305 474">9,037,942</td> <td data-bbox="1305 445 1485 474">5.09%</td> </tr> <tr> <td data-bbox="421 474 1070 504">JP Morgan Nominees Aust .....</td> <td data-bbox="1070 474 1305 504">8,471,056</td> <td data-bbox="1305 474 1485 504">4.77%</td> </tr> <tr> <td data-bbox="421 504 1070 533">BNP Paribas Nominees Hub24 .....</td> <td data-bbox="1070 504 1305 533">8,252,399</td> <td data-bbox="1305 504 1485 533">4.64%</td> </tr> <tr> <td data-bbox="421 533 1070 562">HSBC Custody Nominees .....</td> <td data-bbox="1070 533 1305 562">6,744,523</td> <td data-bbox="1305 533 1485 562">3.80%</td> </tr> <tr> <td data-bbox="421 562 1070 591">Charles Waite Morgan .....</td> <td data-bbox="1070 562 1305 591">5,478,112</td> <td data-bbox="1305 562 1485 591">3.08%</td> </tr> </tbody> </table> <p data-bbox="421 591 1485 651">Note:  (1) Sandfire Resources holding aggregated with holdings of other members of Sandfire Resources group.  (2) Aggregate of entities controlled by Emanuel Datt.</p> <p data-bbox="421 689 1485 741">There are no differences between the voting rights enjoyed by the persons listed above and those enjoyed by the other holders of Ordinary Shares.</p>	Name	Number of Ordinary Shares held as at the Last Practicable Date	Percentage of the Issued Ordinary Share Capital held as at the Last Practicable Date	Sandfire Resources <sup>(1)</sup> .....	28,052,232	15.78%	Citicorp Nominees Pty Ltd .....	17,786,647	10.01%	Paul Cronin .....	16,851,332	9.48%	Milos Bosnjakovic .....	16,000,000	9.00%	BNP Paribas Nominees Pty Ltd .....	11,123,709	6.26%	Glamour Division Pty Ltd .....	9,148,192	5.15%	Emanuel Datt <sup>(2)</sup> .....	9,037,942	5.09%	JP Morgan Nominees Aust .....	8,471,056	4.77%	BNP Paribas Nominees Hub24 .....	8,252,399	4.64%	HSBC Custody Nominees .....	6,744,523	3.80%	Charles Waite Morgan .....	5,478,112	3.08%												
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<b>Directors</b>	Peter Bilbe (Non-Executive Chairman) Paul Cronin (Managing Director and Chief Executive Officer) Julian Barnes (Non-Executive Director) Michael Rawlinson (Non-Executive Director) Milos Bosnjakovic (Non-Executive Director) John Richards (Non-Executive Director) Sandra Bates (Non-Executive Director)																																																
<b>Statutory auditors</b>	Lubbock Fine Chartered Accountants 3rd Floor Paternoster House 65 St Paul's Churchyard London EC4M 8AB																																																
<b>What is the key financial information regarding the issuer?</b>																																																	
<b>Selected historical key financial information</b>	The table below sets out summary financial information of the Group as derived from the audited annual consolidated financial statements of the Group for the financial years ended 30 June 2019 and 30 June 2018, and the period from 3 February 2017 to 30 June 2017.																																																
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	As at 30-Jun-19 £	As at 30-Jun-18 £	As at 30 Jun 2017 £
<b>NON-CURRENT ASSETS</b>			
Intangible assets	3,971,210	1,034,235	282,107
Tangible assets	721,128	626,308	585,686
	<b>4,692,338</b>	<b>1,660,543</b>	<b>867,793</b>
<b>CURRENT ASSETS</b>			
Inventories	—	—	22
Trade and other receivables	361,724	147,711	17,688
Cash and cash equivalents	5,369,759	4,644,389	311,470
	5,731,483	4,792,100	329,180
<b>TOTAL ASSETS</b>	<b>10,423,821</b>	<b>6,452,643</b>	<b>1,196,973</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	2,013,701	1,733,042	856,323
Share premium	11,084,777	5,515,049	406,183
Other capital reserves	1,714,826	1,282,365	—
Other reserves	74,242	31,367	25,402
Retained deficit	(4,638,657)	(2,221,004)	(292,307)
<b>TOTAL EQUITY</b>	<b>10,248,889</b>	<b>6,340,819</b>	<b>995,601</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	174,932	111,824	201,372
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,423,821</b>	<b>6,452,643</b>	<b>1,196,973</b>
<b>SUMMARY CASH FLOW STATEMENT</b>			
	Year Ended 30 Jun 19	Year Ended 30 Jun 18	Period from 3 Feb 2017 to 30 Jun 2017
<b>Loss</b>	(2,417,653)	(1,928,697)	(292,307)
Foreign exchange difference on consolidation	42,875	5,965	25,402
Depreciation and amortisation	88,674	8,910	2,394
Share based payments	432,461	1,161,408	—
Other non-cash movements	—	(4,885)	—
<b>Working capital adjustments:</b>			
Increase in trade and other receivables	(214,013)	(130,023)	(17,210)
Decrease in inventories	—	22	(22)
Increase/(Decrease) in trade and other payables	63,108	(89,548)	186,858
<b>Net cash flows used in operating activities</b>	<b>(2,004,548)</b>	<b>(976,848)</b>	<b>(94,885)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	(105,998)	(40,296)	(39,920)
Purchase of intangible assets	(3,014,471)	(756,479)	(176,624)
Acquisition of subsidiary undertaking	—	—	(426,624)
<b>Net cash flows used in investing activities</b>	<b>(3,120,469)</b>	<b>(796,775)</b>	<b>(643,168)</b>
<b>Financing activities</b>			
Issue of share capital (net of fees)	5,850,387	6,106,542	1,049,523
<b>Net cash flows generated from financing activities</b>	<b>5,850,387</b>	<b>6,106,542</b>	<b>1,049,523</b>
<b>Net increase in cash and cash equivalents</b>	<b>725,370</b>	<b>4,332,919</b>	<b>311,470</b>
<b>Cash and cash equivalents at period end</b>	<b>5,369,759</b>	<b>4,644,389</b>	<b>311,470</b>
<b>Pro forma financial information</b>	Not applicable. No <i>pro forma</i> financial information is included in this prospectus.		
<b>Brief description of any qualifications in the audit report</b>	Not applicable. There are no qualifications in the accountant's report relating to the historical financial information.		
<b>What are the key risks that are specific to the issuer?</b>			
<b>Brief description of the most material risk factors specific to the issuer contained in the prospectus</b>	<b>Risks associated with the Group's early stage status</b>		
	<ol style="list-style-type: none"> <li>1. Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company.</li> <li>2. The Company is currently an early stage mineral exploration business. All of the Group's activities will be likely directed to exploration and, if warranted, development of its existing projects and to the search for and the development of new mineral deposits. Significant capital investment will most likely be required and losses are likely to occur in the near future, meaning there can be no assurance that the Group will be profitable in the future.</li> </ol>		

	<p><u>Risks associated with exploration and development</u></p> <p>3. There can be no assurance that exploration on the Vareš 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.</p> <p>4. The Scoping Study on the Vareš Project released by the Company on 19 November 2019 constitutes a conceptual study based on low-level technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the Scoping Study will be realised or that any conceptual, projected or indicative net present value or internal rate of return referred to in the Scoping Study is assured by the Vareš Project or certainty as to estimation of ore reserves or any assurance of an economic development case at this stage.</p> <p>5. 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, 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.</p> <p><u>In-country Risks in Bosnia and Herzegovina</u></p> <p>6. The Company will be subject to the risks associated with operating in Bosnia and Herzegovina, including various levels of political, sovereign, economic and other risks and uncertainties, which 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.</p> <p>7. Operations and the Company's development and profitability may be affected in varying degrees by government regulations (and changes to 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.</p> <p><u>Risks associated with mining concessions in Bosnia and Herzegovina</u></p> <p>8. The laws and regulations on mining in Bosnia and Herzegovina are still developing and as a result some areas of the law on mining are unclear. Additionally certain provisions of the Exploration Concession are unclear and may require renegotiation or clarification, the outcome of which the Company cannot guarantee. If the Company does not comply with the terms of the agreement it may be in default and the Exploration Concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.</p> <p>9. Outcomes in courts in Bosnia and Herzegovina may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by the Company or its subsidiary in Bosnia and Herzegovina.</p> <p>10. 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. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.</p> <p><u>Risks associated with Commodity Prices and Currency Exchange Rates</u></p> <p>11. The value of the Company's assets and potential earnings as well as costs and expenses may be affected by fluctuations in commodity prices and exchange rates, such as the US\$ and GBP denominated zinc, lead, gold, silver, copper and barite prices, and exchange rates affecting US\$, GBP, BAM, and A\$.</p> <p><u>Risks associated with resource and reserve estimates</u></p> <p>12. Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Such estimates may alter significantly when new information or techniques become available and are, by their very nature, imprecise and depend to some extent on interpretation which may prove to be inaccurate.</p> <p><u>Risks associated with reliance on key personnel</u></p> <p>13. The Group will rely heavily on a small number of key individuals, in particular the Directors, its senior management and consultants. 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.</p>
<b>KEY INFORMATION ON THE SECURITIES</b>	
<b>What are the main features of the securities?</b>	
<b>Type, class and ISIN</b>	The securities are Ordinary Shares in the capital of the Company. Applications will be made for the Ordinary Shares to be admitted to the Official List of the FCA with a Standard Listing and to trading on the Main Market of the London Stock Exchange. The Ordinary Shares are registered with ISIN GB00BL0L5G04, SEDOL code BL0L5G0 and TIDM ADT1.

<b>Currency, denomination, par value, number of securities issues and the term of the securities</b>	<p>The Ordinary Shares are denominated in UK Pounds Sterling with a nominal value of 1.3355 pence each.</p> <p>As at the date of this prospectus, there are 177,715,987 Ordinary Shares in issue, all of which have been fully paid up. The term of the securities is perpetual.</p>
<b>Rights attached to the securities</b>	<p>Shareholders will have the right to receive notice of and to attend and vote at any meetings of Shareholders. Each Shareholder entitled to attend and being present in person or by proxy at a meeting will, upon a show of hands, have one vote and upon a poll each such Shareholder present in person or by proxy will have one vote for each Ordinary Share held by such Shareholder.</p> <p>In the case of joint holders of an Ordinary Share, if two or more persons hold an Ordinary Share jointly, the vote of the senior shareholder, shall be accepted to the exclusion of the other joint holders and for this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.</p> <p>Pre-emption rights have been disapplied (in respect of future share issues whether for cash or otherwise) pursuant to a special resolution passed on 8 November 2019.</p> <p>On a winding up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be other than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 111 of the Insolvency Act 1986.</p>
<b>Relative seniority of the securities in the issuer's capital structure in the event of insolvency</b>	<p>Not applicable. The Company does not have any other securities in issue or liens over its assets and so the Ordinary Shares are not subordinated in the Company's capital structure as at the date of this prospectus, and will not be immediately following Admission.</p>
<b>Restrictions on the free transferability of the securities</b>	<p>Not applicable. The Ordinary Shares are freely transferable and tradable and there are no restrictions on transfer.</p> <p>Each Shareholder may transfer all or any of their Ordinary Shares which are in certificated form by means of an instrument of transfer in any usual form or in any other form which the Directors may approve. The Directors may refuse to register a transfer of Ordinary Shares which are certificated if (a) the share is not fully paid; (b) the transfer is not lodged at the company's registered office or such other place as the Directors have appointed (c) the transfer is not accompanied by the share certificate or such other evidence as the Directors may require to show the transferor's right (d) the transfer is in favour of more than four transferees.</p> <p>Each Shareholder may transfer all or any of their Ordinary Shares which are in uncertificated form through CREST. Shareholders wishing to trade their Ordinary Shares on the ASX may transfer their Ordinary Shares in uncertificated form using CHES Depositary Interests.</p> <p>The Directors may, in circumstances permitted or required by the Companies Act and the ASX Listing Rules, refuse to register the transfer of Ordinary Shares which are in uncertificated form, provided that exercise of such powers does not disturb the market in the Ordinary Shares.</p> <p>In accordance with Chapter 9 of the ASX Listing Rules, certain of the Company's securities are subject to mandatory escrow restrictions imposed by the ASX.</p>
<b>Dividend or pay-out policy</b>	<p>The Company has yet to develop its dividend policy and the funding requirements and expected time for the further development, construction and commissioning of the Vareš Project may restrict the Company in relation to when it will be in a position to pay dividends. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Board may consider relevant.</p>
<b>Where will the securities be traded?</b>	
<b>Application for admission to trading</b>	<p>Application will be made for the Ordinary Shares to be admitted to trading on the Main Market of the London Stock Exchange.</p>
<b>Other markets where the securities are or are to be traded</b>	<p>The Ordinary Shares are currently listed on the ASX.</p>
<b>What are the key risks specific to the securities?</b>	
<b>Brief description of the most material risk factors specific to the securities contained in the prospectus</b>	<p><b>A Standard Listing affords less regulatory protection than a Premium Listing</b></p> <p>A Standard Listing will afford investors a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules, which may have an adverse effect on the valuation of the Ordinary Shares.</p> <p><b>Investors may not be able to realise returns on their investment in Ordinary Shares within a period that they would consider to be reasonable</b></p> <p>Admission to listing on the Official List should not be taken as implying that there will always be a liquid market in the Ordinary Shares. The value of the Ordinary Shares may be volatile and may go down as well</p>

	<p>as up and investors may therefore not recover the full value of their original investment. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal investors may realise less than the original amount invested.</p> <p><b>Share Price of the Ordinary Shares may be subject to fluctuation and volatility</b></p> <p>The market price of the Ordinary Shares could fluctuate significantly based on a number of factors in addition to those listed in this document, including the Company's operating performance and the performance of competitors and other similar companies, the market's reaction to the Company's press releases, other public announcements; changes in earnings estimates or recommendations by research analysts who track the Ordinary Shares or the shares of other companies in the resource sector; changes in general economic conditions; the number of Ordinary Shares publicly traded; the arrival or departure of key personnel; acquisitions, strategic alliances or joint ventures involving the Company, the Group or its competitors; and other risks associated with forward looking statements.</p> <p><b>Dividend payments on the Ordinary Shares are not guaranteed</b></p> <p>The Company has not declared or paid any dividends on the Ordinary Shares to date and cannot assure investors that it will pay dividends in the future. The payment of any future dividends will depend upon earnings and the Company's financial condition, current and anticipated cash needs and such other factors as the Directors consider appropriate.</p>
<b>KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE ADMISSION TO TRADING ON THE LONDON STOCK EXCHANGE</b>	
<b>Under which conditions and timetable can I invest in this security?</b>	
<b>General terms and conditions</b>	Not applicable. There is no offer of securities in connection with the Admission.
<b>Expected timetable of the offer</b>	Not applicable.
<b>Details of admission to trading on a regulated market</b>	Applications will be made for the Ordinary Shares to be admitted to the Official List of the FCA with a Standard Listing.
<b>Plan for distribution</b>	Not applicable.
<b>Amount and percentage of immediate dilution resulting from the offer</b>	Not applicable.
<b>Estimate of total expenses of the issue and/or offer</b>	Not applicable.
<b>Why is this prospectus being produced?</b>	
<b>Reasons for the offer or for the admission to trading on a regulated market</b>	The Company is seeking admission to trading on a regulated market to enable the Company to reach additional institutional investors in the UK and Europe to increase share trading liquidity and to further raise the profile of the Company and the Vareš Project.
<b>Use and estimated net amount of the proceeds</b>	Not applicable.
<b>Indication of whether the offer is subject to an underwriting agreement</b>	Not applicable.
<b>Indication of the most material conflicts of interests relating to the offer or admission to trading</b>	Not applicable.

## PART II

### RISK FACTORS

**Investment in the Company and the Ordinary Shares carries a significant degree of risk, including risks in relation to the Company's business strategy, risks relating to taxation and risks relating to the Ordinary Shares.**

Prospective investors should note that the risks relating to the Company, its industry and the Ordinary Shares summarised in *Part I – Summary* of this prospectus are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Ordinary Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in *Part I – Summary* of this prospectus but also, *inter alia*, the risks and uncertainties described below.

The risks referred to below are those risks the Company and the Directors consider to be the material risks relating to the Company. However, there may be additional risks that the Company and the Directors do not currently consider to be material or of which the Company and the Directors are not currently aware that may adversely affect the Company's business, financial condition, results of operations or prospects. Investors should review this prospectus carefully and in its entirety and consult with their professional advisers before acquiring any Ordinary Shares. If any of the risks referred to in this prospectus were to occur, the results of operations, financial condition and prospects of the Company could be materially adversely affected. If that were to be the case, the trading price of the Ordinary Shares and/or the level of dividends or distributions (if any) received from the Ordinary Shares could decline significantly. Further, investors could lose all or part of their investment.

#### **PART A – RISK FACTORS SPECIFIC AND MATERIAL TO THE COMPANY**

##### ***Exploration and Development***

Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company. Success in this process involves (amongst other things):

- 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 Vareš 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.

Specifically, the Scoping Study on the Vareš Project released by the Company on 19 November 2019 constitutes a conceptual study based on low-level technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the Scoping Study will be realised or that any conceptual, projected or indicative net present value or internal rate of return referred to in the Scoping Study is assured by the Vareš Project or certainty as to estimation of ore reserves or any assurance of an economic development case at this stage. Conceptual capital and operating costs set out in the Scoping Study are considered to have an accuracy of +/- 40 per cent. and while the Company considers all the material assumptions in the scoping study to be based on reasonable grounds, there is no certainty that they will prove to be correct which, may affect the range of outcomes, returns or values projected in the Scoping Study.

The economic viability, net present value and returns from the Vareš Project, if developed, will be the subject of further more detailed work including the completion of a feasibility study. There can be no guarantee that such feasibility study will confirm the returns or values projected by the Scoping Study or the economic viability of the Vareš Project. Further, should the Vareš Project be brought into production there can be no guarantee that the returns or values delivered by the Vareš Project will match those projected by the Scoping Study or any later feasibility study. Failure to achieve the outcomes, returns or values projected in the Scoping Study or any subsequent feasibility study may adversely affect the operational and financial performance of the Company.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

### **In-country Risks in Bosnia and Herzegovina**

The Vareš Project is located in Bosnia and Herzegovina. The Company will be subject to the risks associated with operating in that country, including various levels of political, sovereign, economic and other risks and uncertainties.

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

Changes, if any, in mining or investment policies or shifts in political attitude in Bosnia and Herzegovina may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

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

Outcomes in courts in Bosnia and Herzegovina may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by the Company or its subsidiary in Bosnia and Herzegovina.

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

### ***Mining Concessions in Bosnia and Herzegovina***

Following the nation's recovery from the conflict of the 1990s, the laws and regulations on mining in Bosnia and Herzegovina are still developing and as a result some areas of the law on mining are unclear. Exploration concessions are granted by means of a concession agreement between the relevant level of government and the concession holder. The Exploration Concession held by Eastern Mining is located in the Zenica-Doboj Canton and is granted and regulated by an agreement between Eastern Mining and the Government of Zenica-Doboj Canton.

Eastern Mining has provided a bill of exchange for an amount of BAM300,000 to the Government of Zenica-Doboj Canton as security for the quarterly concession fee payable once exploitation

commences. The Exploration Concession does not provide any guidance on when the bill of exchange can be enforced.

The Company has been advised that the provisions regarding the bill of exchange, land expropriation and the quarterly concession fee in the Exploration Concession currently lack clarity and that the Company may need to re-negotiate these terms if and when it commences exploitation operations.

In the event the Company wishes to commence exploitation operations it must obtain the consent of all owners of the land subject to the Exploration Concession through a land expropriation process involving the Government of Zenica-Doboj Canton. This process can be lengthy and costly. Further, if the Company commences exploitation operations, it will be required to pay a quarterly concession fee. This fee is to be re-negotiated each quarter between the parties to the Exploration Concession. If the parties cannot agree to a fee, then the agreement can be terminated.

While it is the Company's intention to comply with the terms of the Exploration Concession, there can be no guarantees made that, in the future, the Company will satisfy all of its obligations under the agreement. If the Company does not comply with the terms of the agreement it may be in default and the Exploration Concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.

#### ***Grant of Future Authorisations to Explore and Mine***

If the Company discovers an economically viable mineral deposit that it then intends to develop, it will, among other things, require various approvals, licences and permits before it will be able to mine the deposit. There is no guarantee that the Company will be able to obtain all required approvals, licences and permits. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.

#### ***Environmental Risks***

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Bosnia and Herzegovina. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

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

#### ***Operational Risks***

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

- failure to locate or identify mineral deposits;
- failure to achieve predicted grades in exploration and mining;
- operational and technical difficulties encountered in mining;
- insufficient or unreliable infrastructure, such as power, water and transport;
- difficulties in commissioning and operating plant and equipment;
- mechanical failure or plant breakdown;
- unanticipated metallurgical problems which may affect extraction costs; and
- adverse weather conditions.

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

### ***Resource and Reserve Estimates***

Whilst the Company intends to undertake exploration activities with the aim of defining a resource, no assurances can be given that the exploration will result in the determination of a resource. Even if a resource is identified, no assurance can be provided that this can be economically extracted.

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.

### ***Commodity Prices***

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

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

In the event the Company achieves exploration success leading to viable mining production, the Company's financial performance will be highly dependent on commodity prices and exchange rates.

### ***Foreign Exchange Risk***

The Company's costs and expenses in Bosnia and Herzegovina and other foreign countries are likely to be in foreign currencies. Accordingly, the depreciation of the GBP and/or the appreciation of the foreign currency relative to the GBP could result in a translation loss on consolidation which is taken directly to shareholder equity.

The majority of the Group's revenues once the Vareš Project is in production are expected to be earned in US\$. Any depreciation of the US\$ relative to the GBP may result in lower than anticipated revenue. The Company will be affected on an ongoing basis by foreign exchange risks between the Australian dollar and the other foreign currencies, and will have to monitor this risk.

### ***Early Stage of Operations***

The Group will have no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future and its ability to access equity markets for its development requirements. All of the Group's activities will be likely directed to exploration and, if warranted, development of its existing properties and to the search for and the development of new mineral deposits. Significant capital investment will most likely be required to achieve commercial production. Losses are likely to occur in the near future and there can be no assurance that that the Group will be profitable in the future.

### **RISKS RELATING TO THE COMPANY'S DIRECTORS AND SENIOR MANAGERS**

The Group will rely heavily on a small number of key individuals, in particular the Directors, its senior management and consultants and future directors, senior management and consultants, including, among other matters, to develop and maintain important relationships with governmental and regulatory authorities in Bosnia and Herzegovina. The Group's business may be negatively affected by the failure to attract, or the departure of, any of these individuals, or any of a number of other key employees. There can be no guarantee that the Group will be able to continue to attract and retain required employees. The Group 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.

## **PART B – RISK FACTORS SPECIFIC AND MATERIAL TO THE ORDINARY SHARES**

### ***A Standard Listing affords less regulatory protection than a Premium Listing***

A Standard Listing will afford investors a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules, which may have an adverse effect on the valuation of the Ordinary Shares.

### ***Realisation of Investment***

Admission to listing on the Official List should not be taken as implying that there will always be a liquid market in the Ordinary Shares. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover the full value of their original investment. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal investors may realise less than the original amount invested.

### ***Volatility of Share Price***

The market price of the Ordinary Shares could fluctuate significantly based on a number of factors in addition to those listed in this document, including:

- the Company's operating performance and the performance of competitors and other similar companies;
- the market's reaction to the Company's press releases, other public announcements and the Company's filings with various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Ordinary Shares or the shares of other companies in the resource sector;
- changes in general economic conditions;
- the number of Ordinary Shares publicly traded;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving the Company, the Group or its competitors; and
- the factors listed under the heading 'Forward-looking Statements' on page 16 of this document.

### ***Payment of Dividends***

The Company has not declared or paid any dividends on the Ordinary Shares to date and cannot assure investors that it will pay dividends in the future. The payment of any future dividends will depend upon earnings and the Company's financial condition, current and anticipated cash needs and such other factors as the Directors consider appropriate.

## **RISKS RELATING TO TAXATION**

### ***Taxation***

The acquisition and disposal of Ordinary Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Ordinary Shares from a taxation point of view and generally.

## **PART III**

### **IMPORTANT INFORMATION**

The distribution of this prospectus may be restricted by law in certain jurisdictions and therefore persons into whose possession this prospectus comes should inform themselves about and observe any restrictions, including those set out below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

#### **General**

Shareholders are not required to take any action upon receipt of this prospectus, which is being made available publicly for information purposes only. This prospectus has been published solely to enable the Company to obtain Admission of the Ordinary Shares to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market in the United Kingdom.

This prospectus has been approved by the FCA as a prospectus for the purposes of section 85(2) of FSMA and of the Prospectus Regulation which may be used in relation to the admission of transferable securities to a regulated market in the United Kingdom (and not in relation to any offer of securities to the public).

This prospectus does not contain and is not an offer or invitation to the public to subscribe for Ordinary Shares. This prospectus is not, and should not be construed as an inducement or encouragement to buy or sell any Ordinary Shares. No investment decision relating to the Shares should be made on the basis of the information contained in this prospectus.

No arrangement has been made with the competent authority in any other EEA Member State or any other jurisdiction for the use of this prospectus as an approved prospectus in such jurisdiction and no public offer is to be made in any such jurisdiction.

No action has been or will be taken in any other jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this prospectus or any other offering material in any other country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This prospectus does not constitute an offer to subscribe for any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The issue or circulation of this prospectus may be prohibited in Restricted Jurisdictions and in countries other than those in relation to which notices are given below.

#### **Supplementary prospectus**

In the event that the Company is required to publish any supplementary prospectus, such supplementary prospectus will be published in accordance with the Prospectus Regulation Rules (and notification thereof will be made to a Regulatory Information Service) but will not be distributed to any investors individually. Any such supplementary prospectus will be published in printed form and available free of charge at the Company's registered office at Stamford House, Regent Street, Cheltenham, Gloucestershire, England, GL50 1HN, United Kingdom and (subject to certain restrictions) on the Company's website at [www.adriaticmetals.com](http://www.adriaticmetals.com) until 14 days after Admission.

#### **For the attention of all investors**

No person has been authorised to give any information or make any representations other than as contained in this prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors or Tamesis. Without prejudice to the Company's obligations under the FSMA, the Prospectus Regulation Rules, the Listing Rules and the Disclosure Guidance and Transparency Rules, none of the publication or delivery of this prospectus, or any investment made in reliance on the information contained in this prospectus shall, under any circumstances, create any implication that there has been no change in the affairs of the

Company since the date of this prospectus or that the information in this prospectus is correct as at any time after its date.

In making an investment decision, prospective investors must rely on their own examination of the Company and this prospectus including the merits and risks involved. The contents of this Document are not to be construed as advice relating to legal, financial, taxation, investment decisions or any other matter. Prospective investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares or distributions by the Company, either on a liquidation and distribution or otherwise.

Prospective investors must rely upon their own representatives, including their own legal and financial advisers and accountants, as to legal, tax, financial, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's objective and acquisition, financing and business strategies will be achieved.

The Ordinary Shares are only suitable for acquisition by a person who: (a) has a significantly substantial asset base such that would enable the person to sustain any loss that might be incurred as a result of acquiring the Ordinary Shares; and (b) is sufficiently financially sophisticated to be reasonably expected to know the risks involved in acquiring the Ordinary Shares.

It should be remembered that the price of the Ordinary Shares and any income from such Ordinary Shares can go down as well as up.

This prospectus should be read in its entirety before making any investment in the Ordinary Shares.

All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles, which prospective investors should review. A summary of the Articles is set out in paragraph 4 of Part XVII of this document and a copy of the Articles is available for inspection at the Company's registered office, Stamford House, Regent Street, Cheltenham, Gloucestershire, England, GL50 1HN.

### **Australia**

This document has not been lodged with the Australian Securities and Investments Commission and is not a disclosure document for the purpose of the Corporations Act 2001 (Cth). No offer of securities is being made pursuant to this document.

### **Forward-looking statements**

This prospectus includes statements that are, or may be deemed to be, 'forward-looking statements'. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'targets', 'believes', 'estimates', 'anticipates', 'expects', 'intends', 'may', 'will', 'should' or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout the prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and the Board concerning, *inter alia*: the Company's objective, financing and business strategies, plans (including exploration and development plans) results of operations, financial condition, capital resources, prospects, capital appreciation of the Ordinary Shares and dividends. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual performance, results of operations, financial condition, distributions to Shareholders and the development of its business and financing strategies may differ materially from the forward-looking statements contained in this prospectus. In addition, even if the Company's actual performance, results of operations, financial condition, distributions to Shareholders and the development of its business and financing strategies are

consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors should carefully review Part II of this prospectus (Risk Factors) for a discussion of additional factors that could cause the Company's actual results to differ materially, before making an investment decision. For the avoidance of doubt, nothing appearing under the heading "Forward-looking statements" constitutes a qualification of the working capital statement set out in paragraph 10 of Part XVII of this prospectus (Additional Information).

Forward-looking statements contained in this prospectus apply only as at the date of this prospectus. Subject to any obligations under the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and the Prospectus Regulation Rules, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

## **PART IV**

### **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Publication of this Prospectus	9 December 2019
Admission and commencement of dealings in Ordinary Shares	8:00 a.m. on 12 December 2019

All references to time in this prospectus are to London time, unless otherwise stated. Any changes to the expected timetable will be notified by the Company through an RIS.

**PART V**  
**ADMISSION STATISTICS AND DEALING CODES**

Number of Ordinary Shares in issue on Admission	177,715,987
Number of Options and Performance Rights outstanding on Admission	23,035,000
Number of Ordinary Shares on a fully diluted basis on Admission	200,750,987
Percentage of issued share capital represented by Options and Performance Rights outstanding on Admission	12.96%
Expected market capitalisation of the Company on Admission <sup>(1)</sup>	£148,336,157
ISIN	GB00BL0L5G04
LEI	549300OHAH2GL1DP0L61
Tickers	LSE: ADT1 ASX: ADT

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Notes:

(1) Based on number of Ordinary Shares in issue at Admission at a share price of A\$1.60 and an exchange rate of 1 GBP: 1.9167 AUD, as at the Last Practicable Date.

## PART VI

### DIRECTORS, SECRETARIES, REGISTERED OFFICE AND ADVISERS

Directors	Peter Bilbe (Non-Executive Chairman) Paul Cronin (Managing Director and Chief Executive Officer) Julian Barnes (Non-Executive Director) Michael Rawlinson (Non-Executive Director) Milos Bosnjakovic (Non-Executive Director) John Richards (Non-Executive Director) Sandra Bates (Non-Executive Director)
Joint Company Secretaries	Sean Duffy Gabriel Chiappini
Registered Office	Stamford House Regent Street, Cheltenham Gloucestershire GL50 1HN United Kingdom
Financial Adviser	Tamesis Partners LLP 125 Old Broad Street London EC2N 1AR United Kingdom
Accountants	BDO Corporate Finance (WA) Pty Ltd 38 Station Street Subiaco, WA, 6008 Australia
Solicitors to the Company (UK)	Locke Lord (UK) LLP 201 Bishopsgate London EC2M 3AB United Kingdom
Legal Advisers to the Company (Bosnia and Herzegovina)	Maric & Co Law Firm Ltd Mehmeda Spahe 26 71000 Sarajevo Bosnia & Herzegovina
Competent Person	CSA Global (UK) Ltd Suite 2, First Floor, Springfield House Springfield Road, Horsham West Sussex RH12 2RG United Kingdom
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom
PR Adviser	Blytheweigh Communications Ltd 4-5 Castle Court London EC3V 9DL United Kingdom

## PART VII

### COMPANY OVERVIEW

#### 1. Introduction

Adriatic is a mineral exploration and development company focused on polymetallic projects in Bosnia and Herzegovina.

The primary focus of the Group is the Vareš Project located approximately 50 km north of the capital, Sarajevo, in the district of Vareš. Mineral Resources have been estimated at the Veovača and Rupice deposits, and further exploration potential exists from Smailova to Rupice.

Adriatic, through its wholly owned subsidiary company, Eastern Mining, owns 100% of one concession which extends over the entirety of the Veovača and Rupice deposits defined to date. Eastern Mining is the first company to undertake any exploration at the deposits and in the surrounding Vareš District since the late 1980s.

Adriatic has compiled historical exploration activities for the concession and surrounding areas and has completed recent exploration works, including drilling, and has publicly disclosed a current Mineral Resource statement. Exploration by Adriatic has focused on activities at the Rupice and Veovača areas within the concession, including geophysical programs (induced polarisation), soil geochemical programs, drilling at Veovača and Rupice, and evaluation of the corridor between Rupice and Jurasevac-Brestic, and Veovača and Orti. A Scoping Study on the Vareš Project was released in November 2019, outlining a robust, high margin project for low up-front capital expenditure.

#### 2. Key Strengths

##### ***Scoping study confirms high margin, high return, low capex project***

Adriatic released a Scoping Study on the Vareš Project on 19 November 2019 indicating an attractive, high return project. The Scoping Study outlined an operation with a plant throughput of 800ktpa producing multiple concentrates over a mine life of approximately 14.6 years. Subject to the qualifications and assumptions contained in the Scoping Study, the Vareš Project is projected to deliver a post-tax internal rate of return of 107.4% and a net present value of US\$916.6 million at a discount rate of 8%, for total capital expenditure of US\$178.4 million, including a 30% contingency.

Investors are referred to the risk factor set out on page 10 in relation to the Scoping Study, under the heading "Exploration and Development".

##### ***High-grade mineral resources with strong potential for exploration upside***

Resources have been delineated at both the Veovača and Rupice deposits at the Vareš Project, containing high grades of zinc, lead, copper, silver, gold, and barite with good potential for mine development. These resources have the potential for extension along strike and at depth. The hydrothermal system driving mineralisation at the Vareš Project typically occurs in clusters, which suggests the potential for further discoveries in the existing licence area. The maiden mineral resource at Rupice totals 9.4Mt at a zinc equivalent grade of 16.4% while the mineral resource at Veovača totals 7.4Mt at a zinc equivalent grade of 3.7%.

##### ***Excellent metallurgical recoveries and concentrate grades***

Preliminary results of metallurgical testwork confirmed excellent metallurgical recoveries and concentrate grades from samples taken from the Veovača and Rupice deposits. The testwork is ongoing but metal recoveries of 85–90% for zinc, 85–93% for copper, 90–94% for lead, 80–86% for barite, 90% for silver and 80% for gold are appropriate estimates.

##### ***Existing infrastructure in a historical mining district***

Mining activities first took place in 1983 at the Vareš Project under the state government and continued until Bosnian independence in 1992. The abandoned processing facility remains within the licence area, along with a previously permitted tailings storage facility on the licence area owned by the Company. The nearby town of Vareš has a long history of mining, most famously for iron ore mines, and has sufficient existing rail and power infrastructure to support a mining operation as outlined in the Scoping Study.

### ***Early mover advantage in Bosnia & Herzegovina***

Since the end of the civil war and the signing of the Dayton Peace Agreement, Bosnia & Herzegovina has experienced stable democracy. However, despite the historical extractive industry there has been very little mineral exploration in country, in particular using modern exploration techniques. The Company has a first mover advantage for exploration into a prospective region for greenfield exploration.

### ***Experienced team***

The Company has a strong and experienced Board and Management team who are well prepared to advance the Vareš Project towards production. The team has experience in exploration for economic mineralisation, financing, legal requirements and permitting, mine planning and development, and corporate social responsibility.

### ***Well-funded to complete Feasibility Study for the Vareš Project whilst continuing aggressive exploration programme***

The Company has a strong balance sheet with cash of £3.7 million (approximately A\$6.9 million) as of 30 September 2019 and having completed a successful equity placement in November 2019 raising A\$25 million before expenses from the placement of 25 million new Ordinary Shares at a price of A\$1.00 per Ordinary Share. This ensures that Adriatic is fully funded through to the making of a construction decision for the Vareš Project in early 2021 including the completion of a Feasibility Study, Environmental and Social Impact Assessment and required permitting activities, whilst continuing its aggressive exploration programmes at Veovača and Rupice and other regional exploration targets such as Jurasevac-Brestic over the same period.

### **3. History of Adriatic**

The Company was incorporated on 3 February 2017 in England and Wales for the purposes of acquiring all of the issued capital of Eastern Mining and subsequently exploring and developing the Vareš Project.

On the 3 March 2017, the Company acquired 100% of the issued share capital of Eastern Mining pursuant to a share sale agreement between the Company, Eastern Mining and Balkan Mining Pty Ltd.

During 2017, the Company commenced a confirmatory drill program at both Veovača and Rupice. The drill program allowed an initial JORC compliant mineral resource estimate to be completed for Veovača. At Rupice, it was decided that additional exploration drilling was warranted given the size and grade of mineralisation intercepted. In addition to the drilling campaign, the Company conducted extensive soil geo-chemistry and ground based geophysics in the area of the known deposits, and when combined with additional exploration records discovered in a disused building on the Veovača plant site, provided a number of follow up targets for exploration.

The Company subsequently listed on the ASX with its CDIs admitted to trading on 27 April 2018, raising A\$10 million in equity capital at a price of A\$0.20 per CDI.

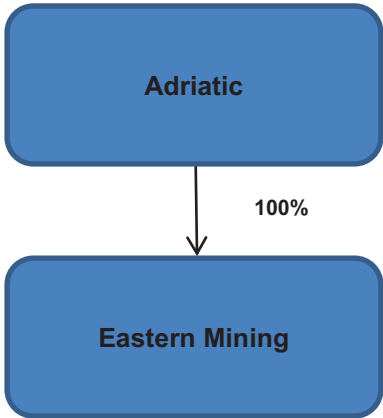
The following are some of the key highlights of the Group's achievements since listing on the ASX:

- In May 2018, the Company announced a strategic partnership with ASX listed copper producer Sandfire Resources NL (ASX: SFR); Sandfire invested A\$2 million in the Company's ASX IPO for a shareholding of 7.7%
- In May 2018, the Company commenced a 15,000m drilling programme at the Vareš Project to test several key anomalies at the Rupice deposit
- The first results of the 15,000m drilling programme were received in June 2018 and included intersections such as:
  - 64m @ 4.6g/t Au, 537g/t Ag, 0.9% Cu, 7.7% Pb, 10.8% Zn and 46% BaSO<sub>4</sub> from drill hole BR-2-18
  - 36m @ 4.4g/t Au, 463g/t Ag, 0.5% Cu, 5.7% Zn and 55% BaSO<sub>4</sub> from drill hole BR-3-18
  - 22m @ 4.1g/t Au, 258 g/t Ag, 0.8% Cu, 7.5% Pb, 12.8% Zn and 56% BaSO<sub>4</sub> from drill hole BR-3-18

- Further drilling results were received in July and August of 2018, including:
  - 66m @ 2.1g/t Au, 158g/t Ag, 2.3% Cu, 8.6% Pb, 12.8% Zn and 37% BaSO<sub>4</sub> from drill hole BR-5-18
  - 16m @ 1.6g/t Au, 136g/t Ag, 1.1% Cu, 4.0% Pb, 6.5% Zn and 10m @ 56% BaSO<sub>4</sub> from drill hole BR-8-18
- In August 2018, the Company announced the approval by the Vareš Municipal Council of a major expansion to the area covered by its existing Exploration Concession for the Vareš Project.
- In September 2018, further drilling results included:
  - 28m @ 10.8% Zn, 5.9% Pb, 271g/t Ag, 2.4g/tAu, 0.5% Cu and 61% BaSO<sub>4</sub> from drill hole BR-10-18
  - 18m @ 8.2% zn, 4.2% Pb, 131g/t Ag, 1.4g/t Au, 0.8% Cu and 27% BaSO<sub>4</sub> from drill hole BR-12-18
  - 22m @ 0.6% Zn, 1.2% Pb, 91g/t Ag, 1.3g/t Au, 0.3% Cu and 41% BaSO<sub>4</sub> from drill hole BR-13-18
  - 24m @ 18.8% Zn, 7.7% Pb, 167g/t Ag, 3.7g/t Au, 0.7% Cu and 53% BaSO<sub>4</sub> from drill hole BR-13-18
- In November 2018 ,the Company announced that the Government of Zenica-Doboj Canton had approved the Company's application for a significant extension to the current concession agreement for the Vareš Project.
- In November 2018, the Company announced that it had completed a placing of new CDIs to institutional investors of A\$10 million at a price of A\$0.55 per CDI, with Sandfire Resources subscribing for a further A\$0.8m at the same price.
- In January 2019, the Company announced further drilling results, including the thickest and highest grade intercept to date of 72m @ 18.3% Zn, 10.7% Pb, 211g/t Ag, 2.5g/t Au, 2.5% Cu and 25% BaSO<sub>4</sub> from drill hole BR-36-18.
- In February 2019, the Company received an Urban Planning Permit for the Expanded Concession Annexe from the Zenica-Doboj Canton.
- In March 2019, the Company was awarded an Exploration Permit over the expanded Concession Area by the Minister for Energy, Mining and Industry.
- In April 2019, Mr Graham Hill was appointed Chief Operating Officer and Mr Paul Cronin moved from a Non-Executive Director to Executive Director role following the announcement that Mr Geraint Harris would be leaving the Company.
- In July 2019, a maiden Mineral Resource on Rupice and an updated Mineral Resource on Veovača were released.
- In November 2019, a Scoping Study prepared by CSA Global was released indicating an attractive, high return project, with the Vareš Project projected to deliver a post-tax net internal rate of return of 107.4% and a net present value of US\$916.6 million at a discount of 8%.

**4. Corporate Structure**

The corporate structure of the Group is as follows:



Adriatic was incorporated in England and Wales on 3 February 2017. Other than in its capacity as the holding company of Eastern Mining, Adriatic is not currently involved in any material business activities and does not have any material assets or liabilities other than cash at bank and on hand of approximately £3,695,142 as at 30 September 2019.

Eastern Mining was registered in Bosnia and Herzegovina on 19 May 2008. Eastern Mining is the main operating entity of the Group and holds the Exploration Concession which comprises the Rupice and Veovača deposits.

**5. Summary of Key Assets and Operations**

The Vareš Project is located approximately 50 km north of the Bosnian capital, Sarajevo, in the district of Vareš and consists of two advanced exploration projects, Veovača and Rupice, and various regional exploration targets.

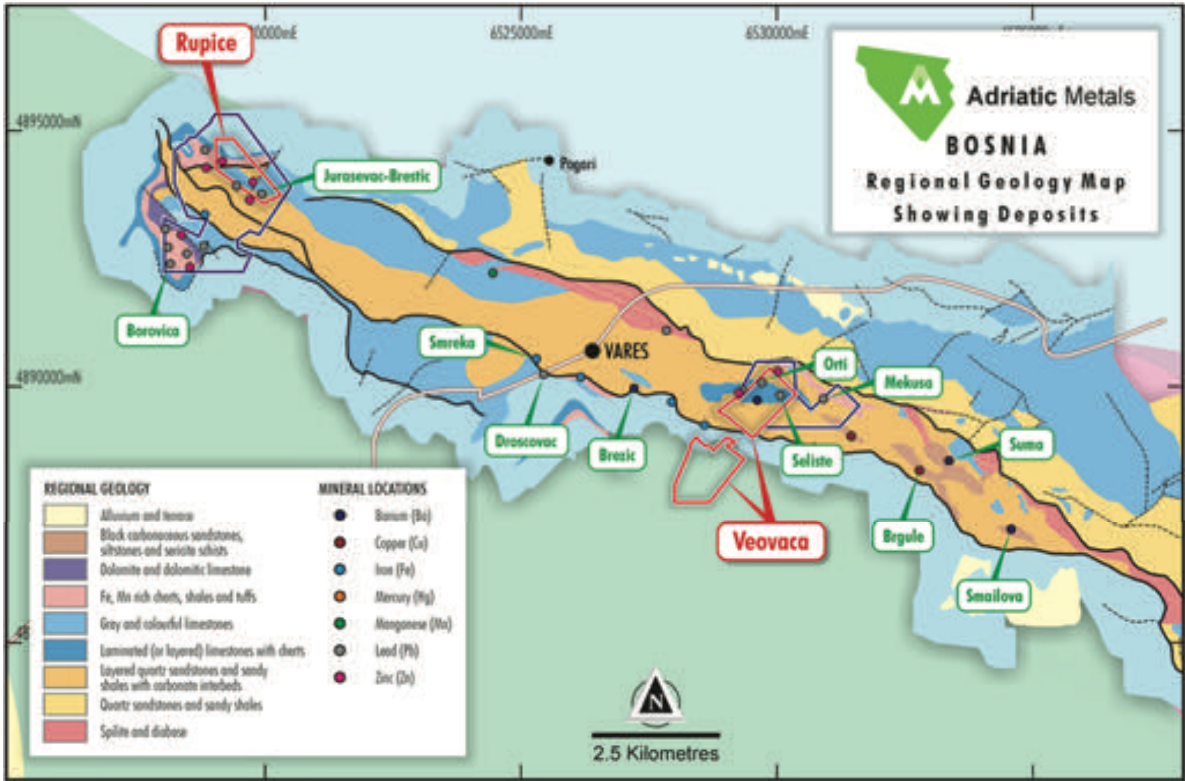


Figure 1: Exploration Concession, prospects and stratigraphy (the grid is MGI 1901/Balkans Zone 6)

The Vareš Project contains two advanced exploration projects. Veovača was historically mined for lead, zinc and barite. Rupice was historically mined for barite. Recent drilling by Adriatic has intersected gold, silver, barite, copper, lead and zinc, which have been estimated in potentially economic quantities as part of recent Mineral Resource estimations.

Adriatic has also identified various regional prospects which lie both within, and outside the existing concession area.

The concession area covers 865.7 ha and is divided into three areas of which the Veovača pit and plant site are exploitation and exploration areas, and the Rupice Concession is an exploration area.

<b>Project</b>	<b>Tenement</b>	<b>Field</b>	<b>Area (ha)</b>	<b>Status</b>
Vareš	Veovača pit	1	90.54	Approved – exploitation and exploration
	Veovača plant site	2	107.68	Approved – exploitation and exploration
	Rupice	3	83.18	Approved – exploration
	Rupice-Borovica		452	Approved – exploration
	Veovača-Orti-Mekuse-Seliste		132	Approved – exploration

Table 1: Concession status

## History

The Vareš district has a significant mining history dating back to Bronze Age. During the Roman era, the town was famous for its miners and iron smiths. During the Austrian rule of Bosnia & Herzegovina the iron-works of Vareš were an important exporter of iron products to the rest of the Habsburg empire. The first blast furnace in Bosnia & Herzegovina was built in Vareš in 1891 and only ceased operations in 1990.

The Socialist Federal Republic of Yugoslavia through its parastatal company, Energoinvest, commenced modern exploration in the Vareš district in the late 1940s, and over a period of 40 years discovered several iron and polymetallic (lead, zinc, barite, silver, gold) deposits within a 30 km x 10 km sedimentary formation extending from Rupice in the northwest to Smailova Suma in the southeast.

In the late 1960s to the early 1970s exploration in the district consisted of a number of small programs of diamond core drilling and surface trenching which at Veovača, Drosovac, Bretic-Jurasevac and Borovica was followed by the development of exploration adits and drives, and then a more substantial program of diamond core drilling in the late 1970s and the 1980s. The first mineral reserve for Veovača was estimated in 1978 and continued to be refined up to 1983 when open pit mining commenced whilst at Rupice mineral reserves were estimated in the 1980s as drilling progressed.

Open pit mining commenced at Veovača in 1983 at an intended production rate of approximately 400,000 tonnes per annum. After four years of mining, some 1.2 million tonnes of ore had been mined and hauled to the nearby processing facility some 2 km to the southwest.

Mining activities by Energoinvest reached a peak in the 1980s but by the end of the decade all mines closed due to political instability rather than depleted mine reserves.

No exploration was conducted in the Vareš District following the closure of the lead-zinc and iron ore mines in the late 1980s. Thereafter the civil unrest of the 1990s, lack of foreign investment through the early 2000s, and the eventual bankruptcy of the parastatal company, Energoinvest, impeded any attempt at restarting exploration and mining.

## Regional and local geology

The Vareš Project is located in the Dinarides, the geological domain that represents the southeast extension of the Alpine orogenic belt. The Dinaride orogen developed through closure of the Vardar Ocean, a branch of the Neotethys Ocean, between the Adriatic terrane (Adria) and the Tisza-Dacia blocks and Moesian platform on the Eurasian terrane, as well as intervening arc belts.

The Dinarides are comprised of the autochthonous western carbonate platform and a series of southwest-verging nappe belts to the east, developed during the Alpine collision event. The Vareš

Project is located in the Durmitor Nappe comprising Palaeozoic basement and Triassic-Jurassic volcanic and sedimentary elements.

Mineralisation at Rupice and Veovača occurs in a carbonate-dominated sedimentary sequence deposited in an active marine rift setting, following a period of alkaline volcanism. Sedimentary breccia or conglomeratic units provide evidence for active faulting during sedimentation, and there is sedimentary evidence for rapid subsidence and a deepening depositional environment.

Mineralisation is dominantly replacement-style with subordinate veining. Mineralisation is interpreted to preferentially replace carbonate-bearing lithologies, primarily dolostone and dolomitic sedimentary breccia with subordinate mineralisation in dolomitic marls. The grade of mineralisation at Veovača appears to be directly related to the amount of carbonate in the precursor sedimentary breccia host-rock.

The Vareš metallogenic district is a west northwest-striking curved belt, 2 to 5 km wide and 25 km long, running from Srednje–Draževiči in the southeast to Vareš–Borovica in the northwest, and is characterised by Lower Triassic shales, sandstones and limestones, Anisian limestones, and Ladinian spilites interlayered with pyroclastic rocks, cherts, and shales.

Rupice is at the western end of the Vareš ore field and Veovača in the central part are both hosted within a west northwest-striking antiformal thrust-bound belt of Triassic rocks surrounded by Jurassic carbonates. Ladinian (Middle Triassic) alkaline pillow basalts occur in a zone between the deposits, apparently stratigraphically underlying the host rocks to the mineralisation.

Mineralisation at Rupice and Veovača shows more similarities than differences and both deposits are considered to be part of the same mineral system.

### **Recent exploration activities**

There have been several periods of exploration at the Veovača deposit commencing in the 1960s and follow-up work in the late 1970s. Exploration consisted of an initial small program of diamond core drilling and surface trenching (1968–1970), followed by the development of exploration adits and drives. A more substantial program of diamond core drilling was completed in the 1970s. In all, a total of 51 diamond drillholes were completed for approximately 8,000 m. Several IP programs were also completed in this period with chargeability anomalies extending from the Veovača deposit to the Mekusae and Smailova areas to the east-southeast.

Adriatic completed 16 new drillholes in 2017 for 1,379 m to supplement and confirm some of the 48 historical drillholes, areas of adit sampling, and open pit grade control samples. During 2019 an additional 17 drill holes were undertaken at the Veovača deposit for a total advance of 2,342m with the intention to include both base and precious metals into an updated Mineral Resource estimate. A plan map of the completed holes as of 22 July 2019 is shown in Figure 2.

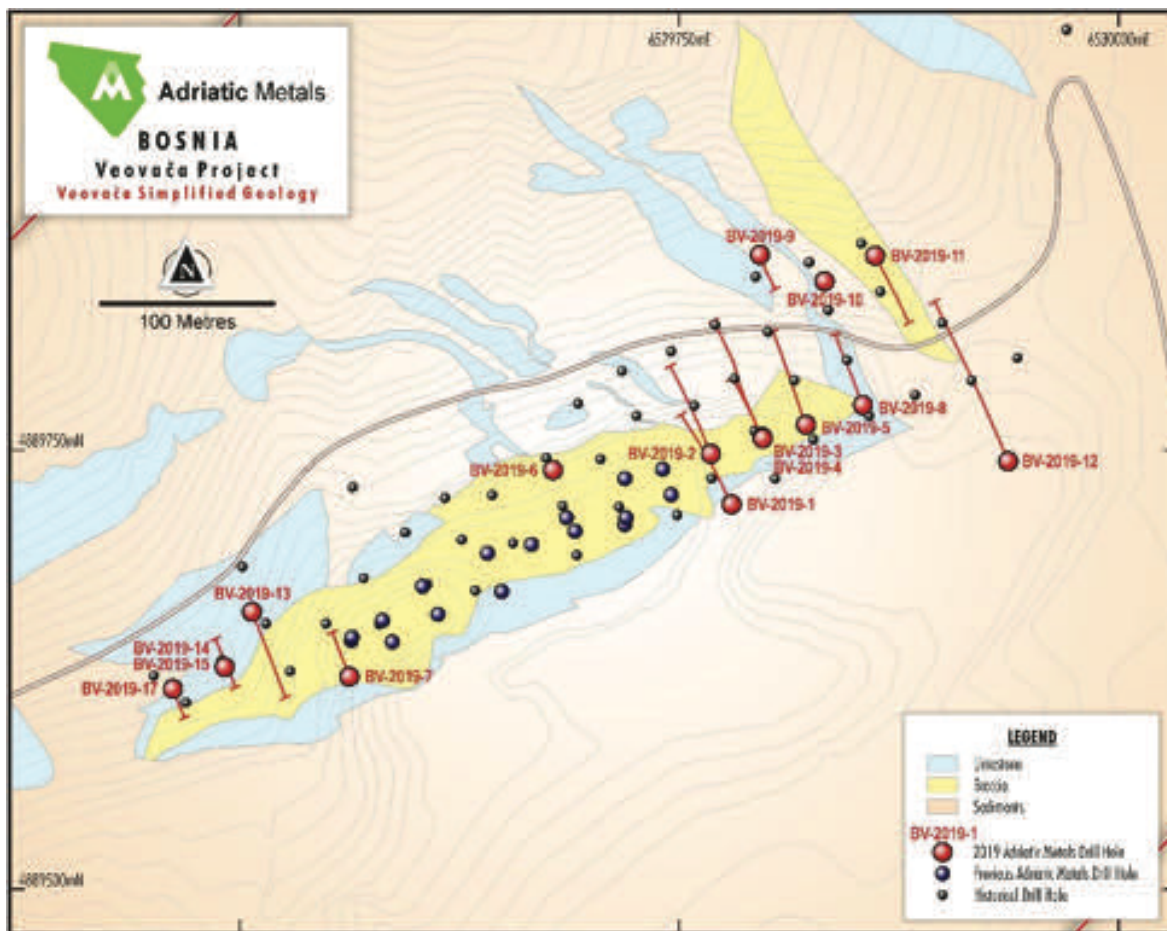


Figure 2: Plan Map showing the location of drill holes completed within the Veovača deposit.

Exploration activities in the Rupice area commenced in 1952 and continued intermittently until 1990, initially focusing on barite mineralisation and later on the polymetallic mineralisation.

Exploration activities included geophysics (IP – chargeability), costeans, exploration adits, and drilling. These indicated the presence of polymetallic mineralisation at Rupice and Jurasevac-Brestic. Chargeability anomalies extend to the south-east between Rupice and Jurasevac-Brestic but these trends have not been drill-tested. Other anomalies in the area (at Upper Borovica and Lower Borovica localities) have not been followed up by drilling either, though these are outside the Adriatic Exploration Concession. During this period Energoinvest completed over 60 holes for 7,000 m targeting Rupice, Borovica and Jurasevac-Brestic.

Adriatic completed IP (gradient array) programs covering the majority of the Rupice deposit and part of the regional prospect area in 2018. The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. In addition, 5 km to the southwest of Jurasevac, there is a parallel chargeable anomaly, within the regional prospect area.

Adriatic completed eight holes at Rupice for 1,458 m in 2017. Drilling targeted down plunge of the mineralisation to confirm historical results and assay additional elements, including copper, gold and silver (figure 3). From this work, Adriatic was able to conclude that:

- Mineralisation is open at depth and along strike.
- Despite historical irregular sampling for gold, copper and silver, all the Adriatic significant intervals assayed significant grades for these metals that correlate with the zinc and lead mineralisation.
- Significant exploration potential exists adjacent and down dip to previous significant drill intersections with the deepest drillhole by Adriatic, BR-1-17 intersecting 64 m at 5.1% lead, 8.5% zinc, 1.0% copper, 374 g/t silver and 2.3 g/t gold.

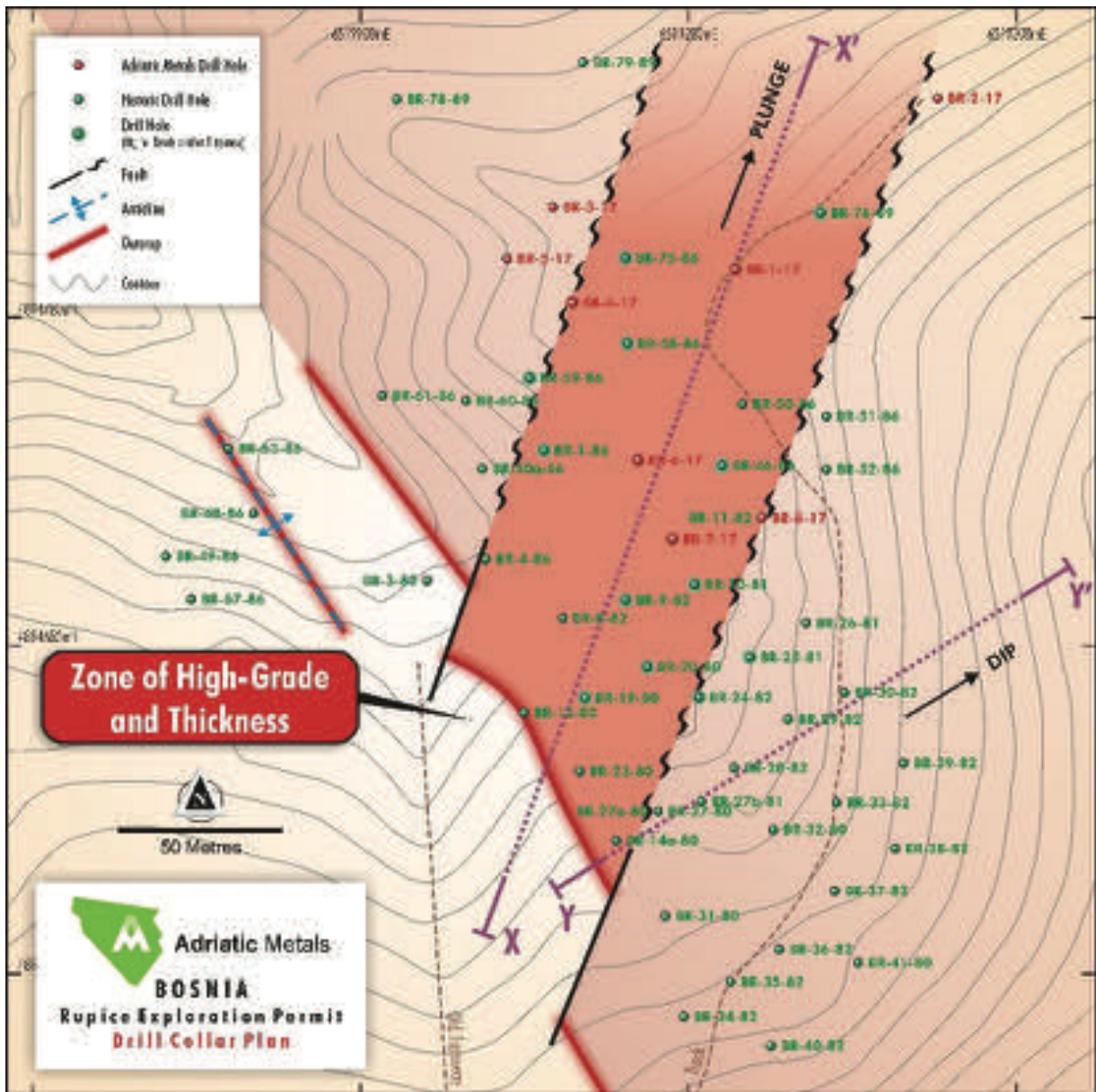


Figure 3: Plan view of plunging mineralised zone with Adriatic drilling at Rupice (the grid is MGI 1901/Balkans Zone 6)

Based on the conclusions of the 2017 exploration programme Adriatic commenced a targeted 15,000m infill drill programme at Rupice on 7 May 2018. Drilling was split into three phases to test several key anomalies at Rupice and Jurasevac-Brestic. The first phase focusing on targets in the Rupice north zone and following the northerly extensions over 220m of strike length (up to the current licence boundary), including the expected down dip and down plunge extensions of the mineralisation.

The northerly extension of Rupice was where both historical and 2017 drilling intersected high grades of base and precious metals, and also where geophysics had shown possible extensions of the mineralisation to the northwest and southeast. Phase 2 targeted the southerly extension of the Rupice mineralisation, including the down-dip and up plunge extensions of the mineralisation over a strike length of 100m. Phase 3 drilling targeted the area near the historical Jurasevac-Brestic underground workings and exploration drives. From this work, Adriatic was able to define a maiden MRE resource for the Rupice project. Drilling to the north in the extended Rupice Licence area continues to intersect mineralisation which remains open down-plunge to the north.

### Mineral resource estimates

In July 2019 the Company released an updated mineral resource estimate for the Veovača deposit. The mineral resource estimate was calculated using data comprising 51 historical drillholes, adit sampling and open pit grade control samples, and 33 drillholes from Adriatic's 2017 (16 holes) and 2019 (17 holes) programs. These were used to define the geometry of the mineralisation. Several of Adriatic's drillholes twinned historical holes whilst others infilled the historical drilling in areas of particular interest. The mineral resource estimate is presented below in Table 2.

#### Veovača Mineral Resources, 1 June 2019

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Zn (kt)	Pb (kt)	BaSO <sub>4</sub> (kt)	Au (koz)	Ag (Moz)
Indicated	5.3	1.6	1.0	16	0.1	50	83	55	860	14	9
Inferred	2.1	1.1	0.5	6	0.1	17	23	11	123	4	1
<b>Total</b>	<b>7.4</b>	<b>1.4</b>	<b>0.9</b>	<b>13</b>	<b>0.1</b>	<b>41</b>	<b>106</b>	<b>66</b>	<b>984</b>	<b>18</b>	<b>10</b>

Table 2

Notes:

- Mineral Resource classifications are based on JORC Code definitions.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 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<sub>4</sub>, US\$1,400/oz for gold and US\$15/oz for silver.
- The applied formula was:  $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\%$ .
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- It is the opinion of Adriatic and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- A bulk density was calculated for each model cell using regression formula  $BD = 2.70855 + BaSO_4 * 0.01487 + Pb * 0.03311 + Zn * 0.03493$ .
- Rows and columns may not add up exactly due to rounding.

In July 2019 the Company released a maiden mineral resource estimate for the Rupice deposit. The mineral resource estimate was calculated using data comprising 49 historical drillholes and 57 drillholes from Adriatic's 2017 (eight holes), 2018 (39 holes) and 2019 (10 holes) programmes. These were used to define the geometry of the mineralisation. Several of Adriatic's drillholes twinned historical holes, others infilled the historical drilling whilst most of the 2018 and 2019 drillholes extended the mineralisation both to the north and south. The mineral resource estimate is presented below in Table 3.

#### Rupice Mineral Resources, 1 June 2019

JORC classification	Tonnes (Mt)	Grades						Contained metal					
		Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (kt)	Pb (kt)	BaSO <sub>4</sub> (kt)	Au (koz)	Ag (Moz)	C (kt)
Indicated	7.5	5.7	3.7	34	2.0	207	0.6	430	278	2,590	470	50	46
Inferred	1.9	2.5	1.6	18	0.9	86	0.3	50	30	330	60	5	6
<b>Total</b>	<b>9.4</b>	<b>5.1</b>	<b>3.3</b>	<b>31</b>	<b>1.8</b>	<b>183</b>	<b>0.6</b>	<b>480</b>	<b>310</b>	<b>2,920</b>	<b>530</b>	<b>55</b>	<b>52</b>

Table 3

Notes:

- Mineral Resource classifications are based on JORC Code definitions.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq – Zinc equivalent was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 1.80 for gold, 0.019 for silver and 2.40 for copper, 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<sub>4</sub>, US\$1,400/oz for gold, US\$15/oz for silver and US\$6,000 for copper.

- The applied formula was:  $ZnEq = Zn\% \cdot 90\% + 0.8 \cdot Pb\% \cdot 90\% + 0.08 \cdot BaSO_4\% \cdot 90\% + 1.8 \cdot Au(g/t) \cdot 90\% + 0.019 \cdot Ag(g/t) \cdot 90\% + Cu\% \cdot 2.4 \cdot 90\%$ .
- It is the opinion of Adriatic and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- A bulk density was calculated for each model cell using regression formula  $BD = 2.88143 + BaSO_4 \cdot 0.01555 + Pb \cdot 0.02856 + Zn \cdot 0.02012 + Cu \cdot 0.07874$  for the barite high-grade domain and  $BD = 2.76782 + BaSO_4 \cdot 0.01779 + Pb \cdot 0.03705 + Zn \cdot 0.02167 + Cu \cdot 0.07119$  for the barite low-grade domain (the barite domains were interpreted using 30%  $BaSO_4$ ).
- Rows and columns may not add up exactly due to rounding.

### Further exploration potential

Outside of known Veovača and Rupice deposits the concession area contains a number of other potential exploration targets. The Vareš mineral field occurs within a well-defined 20 km x 10 km corridor of prospective Triassic stratigraphy with numerous mineralised occurrences. The hydrothermal system driving the mineralisation may be of a Besshi style VMS origin suggesting that mafic units may occur deeper in the stratigraphy. VMS systems typically occur in clusters as appears to be the case in the Vareš mineral field, supporting the potential for further discoveries of base metal mineralisation.

The exploration activity for the Vareš Project can be approached on scales ranging from near mine, in mine and regional exploration activities along the 20 km strike length of the prospective Triassic stratigraphy. Notably, exploration within the regional prospect area outside of the three granted areas is limited to non-destructive exploration activities and is not covered by an exploration concession.

Adriatic has summarised the outcropping mineral occurrences and available historical exploration information and prioritised them. These mineral occurrences have not yet been explored with modern exploration techniques.

### Preliminary metallurgical testwork results

On 25 September 2019 the Company released preliminary metallurgical testwork results and conducted a number of flotation tests bulk samples at Veovača and Rupice. All Rupice concentrates meet or exceed specifications at a range of European and Chinese smelters, and exceed specifications for barite.

Estimated payability adjusted recoveries from all concentrates from Rupice were as follows:

Ag	Au	Zn	Pb	Cu	BaSO <sub>4</sub>
92.6%	66.7%	81.7%	90.4%	82.7%	71.7%

Tests were done at three grind sizes, P80 60 micron, 45 micron and 40 micron, using increased/decreased lime, sodium hydrosulphide, collector, copper collector, pH conditions and airflow against metal recoveries in the various concentrates. Flotation cleaner work and locked cycle testing has been done on the various test products. The testwork also shows that the proposed processing plant will be able to process ores from both Veovača and Rupice.

The results of the fourth locked cycle test using an average grade are as follows:

Product	Weight (%)	Assay (%)					Recovery (%)				
		Cu	Pb	Zn	Fe	S <sub>TOT</sub>	Cu	Pb	Zn	Fe	S <sub>TOT</sub>
Cu/Pb Conc	7.0	<b>6.52</b>	<b>44.2</b>	10.7	4.06	22.1	<b>82.7</b>	<b>90.4</b>	14.5	10.0	11.0
Zn Conc	7.9	0.37	1.25	<b>53.8</b>	0.95	33.2	5.3	2.9	<b>81.7</b>	2.6	18.5
Py Conc	2.3	1.41	2.29	3.28	10.2	21.6	5.8	1.5	1.4	8.2	3.5
Ba Conc	42.7	0.029	0.17	0.11	0.67	13.9	2.2	2.2	0.9	10.0	42.0
Tails	40.1	0.056	0.26	0.19	4.92	8.75	4.0	3.0	1.5	69.2	24.9
Feed	100.0	0.55	3.43	5.19	2.85	14.1	100.0	100.0	100.0	100.0	100.0

Table 4

Product	Weight (%)	Assay (%)					Recovery (%)				
		Au (ppm)	Ag (ppm)	As	Sb	BaSO <sub>4</sub>	Au	Ag	As	Sb	BaSO <sub>4</sub>
Cu/Pb Conc	7.0	13.9	3,549	0.79	3.78	4.01	47.3	83.7	62.1	90.6	0.6
Zn Conc	7.9	5.37	337	0.034	0.15	6.03	20.4	8.9	3.0	3.9	1.0
Py Conc	2.3	6.58	316	0.25	0.29	37.0	7.2	2.4	6.3	2.2	1.9
Ba Conc	42.7	0.38	9.50	0.010	0.007	<b>84.8</b>	7.9	1.4	4.8	1.0	<b>79.8</b>
Tails	40.1	0.89	26.8	0.053	0.016	19.0	17.2	3.6	23.9	2.2	16.7
Feed	100.0	2.07	298	0.089	0.29	45.4	100.0	100.0	100.0	100.0	100.0

Table 5

Whilst the above results will continue to be optimised, metal recoveries of 85–93% for copper, 90–94% for lead, 85–90% for zinc, 80–86% for barite, 90% for silver and 80% for gold are appropriate for mineral resource estimation purposes. In particular, additional work is required to estimate the impacts of blending the Veovača and Rupice ores.

### Scoping Study

Adriatic released a Scoping Study on the Vareš Project on 19 November 2019 indicating an attractive, high return project. The Scoping Study outlined an operation with a plant throughput of 800ktpa producing multiple concentrates over a mine life at steady state of approximately 14.6 years. Ore will be supplied to the processing plant situated at Veovača from the higher-grade underground operation at Rupice for approximately the first 10 years, followed by mining of the open pit at Veovača.

Total production expected to be 495.0kt of zinc, 314.8kt of lead, 47.7kt of copper, 472koz of gold, 55.1koz of silver, 21.0kt of antimony and 3,190kt of barite in concentrates over the life of mine.

Total capital expenditure is estimated at US\$178.4 million, including a 30% contingency, with operating costs forecast to be US\$56.7 per tonne of ore milled.

Subject to the qualifications and assumptions contained in the Scoping Study, the Vareš Project is projected to deliver a post-tax net internal rate of return of 107.4% and a net present value of US\$916.6 million at a discount rate of 8%.

The Scoping Study project development schedule assumes the completion of a Pre-feasibility Study by early 2020 and a Feasibility Study by Q4 2020. Development approvals and investment permits will all be sought from the relevant Bosnian authorities in early 2020 with construction scheduled to commence in Q2 2021 before first production scheduled for Q2 2022.

To achieve the outcomes indicated in the Vareš Project Scoping Study, external funding will be required to finance the capital expenditure to construct the mine, grinding mill, project infrastructure and processing plant. It is anticipated that the finance will be sourced through a combination of equity and debt instruments from existing shareholders, new equity investment and debt providers.

Investors are referred to the risk factor set out on page 10 in relation to the Scoping Study, under the heading “Exploration and Development”.

## 6. Strategy and Work Programmes

Adriatic has planned a systematic exploration program targeting the known deposits extensions and the prospective Triassic stratigraphy. Exploration activities will initially focus on key targets at Rupice and Veovača. Activities will include soil geochemistry, geological mapping, IP and gravity surveys followed by drilling on selected targets.

Based on the review of historical exploration data, Adriatic has identified various regional prospects which lie both within, and outside the existing “expanded” concession area. All the regional prospects lie within the prospective stratigraphy outlined in Figure 1. It is noted that Adriatic may not be successful in obtaining licences over this prospective ground.

Neither the Mining Act nor Concession Law regulate directly geological activities in the regional prospect area surrounding the existing Adriatic Exploration Concession. However, with the approval

of either a private landowner or the competent state authority (for State-owned areas), it is possible to undertake limited exploration activities within the regional area if they are non-ground disturbing.

Adriatic intends, subject to securing the ongoing consent of competent state authority and/or private landowners, to conduct such non-ground disturbing work, including *inter alia* rock chip sampling, soil geochemistry, mapping and ground geophysics (IP) as part of the ongoing assessment of the potential of some of the regional prospects that lie outside the existing concession boundaries. Should Adriatic wish to extend its existing licence boundaries, it will need to continue its dialogue with the Ministry of Economy and take advice on the recommended process to obtain such an extension.

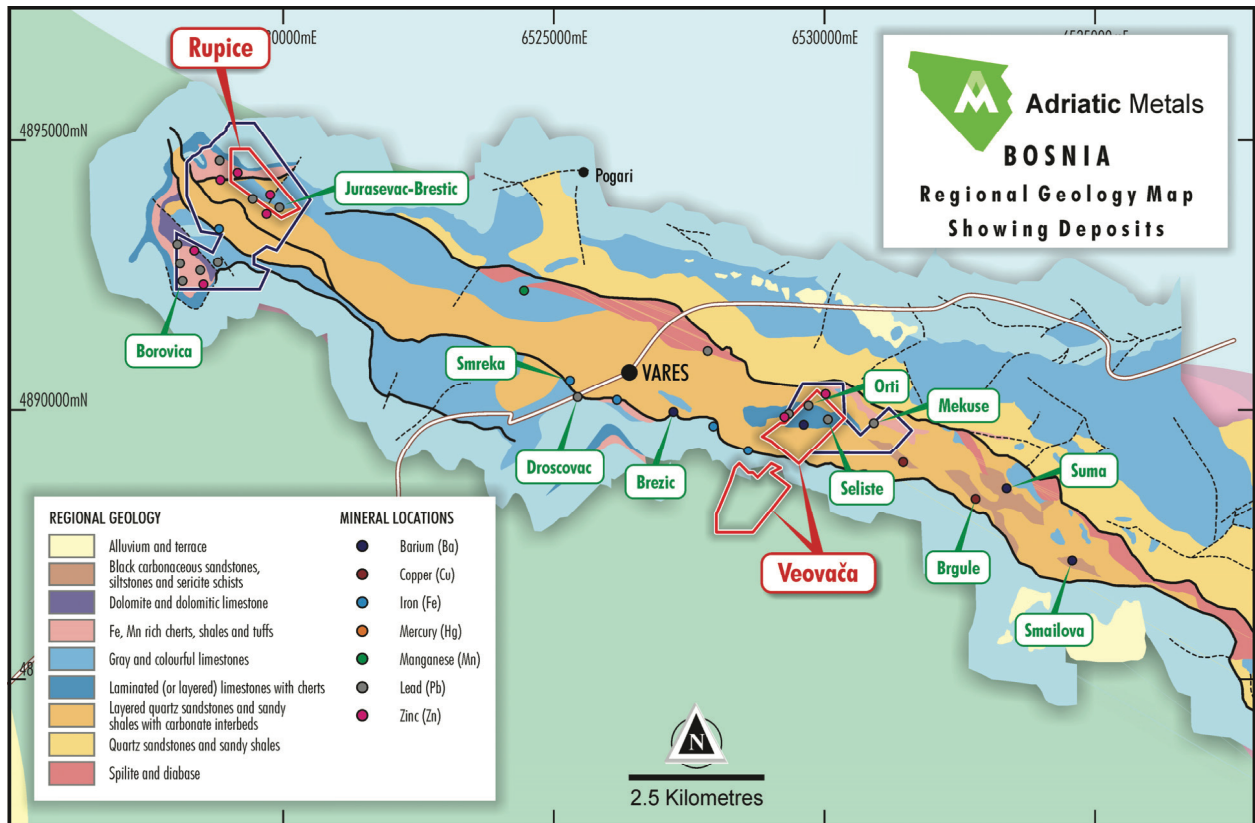


Figure 4: Vareš Project concession, prospects and stratigraphy (the grid is MGI 1901/Balkans Zone 6)  
Source: Adriatic

Adriatic intends to continue an aggressive exploration program both within its “extended” concession area to include deposit extensions and repetitions, off-mine exploration and district exploration with the latter to extend outside the concession areas of Rupice and Veovača. If permissible exploration will focus in order of scale and priority on the following:

- Complete geological mapping, interpretation and modelling in the prospect areas to improve understanding of mineralisation controls and targeting, integrated with drillhole logging, litho-geochemical data analysis and modelling, and geophysical targeting.
- Drilling to infill and grow the MREs at Rupice and Veovača and upgrade their current classification.
- Commence a drilling program at the Jurasevac and Brestic mineral occurrences where PDP3D geophysics has identified a chargeability anomaly offset from the underground exploration drives and extend this drilling to the northwest where another chargeability anomaly is located midway between the Jurasevac-Brestic workings and the Rupice deposit.
- Commence a detailed exploration program over the entirety of the Veovača North, Orti and Seliste prospects by way of:
  - data compilation;

- geology mapping, logging and interpretation for targeting, including structure, lithofacies and alteration;
- IP using either gradient array, PDP or PDP3D;
- soil geochemistry on a minimum 50 m x 50 m grid in areas of interest, in conjunction with mapping; and
- diamond drilling.
- Commence a detailed exploration program over the entirety of the Borovica corridor by way of:
  - data compilation;
  - geology mapping, logging and interpretation for targeting, including structure, lithofacies and alteration;
  - trenching and rock chipping of the adits, in conjunction with mapping; and
  - diamond drilling.
- Commence exploration of the Triassic stratigraphy between Rupice and Veovača subject to tenure using integrated geological, geochemical and geophysical targeting based on a well-defined targeting model.

Whilst exploration work will continue as outlined above, there will be ongoing study work taking place for metallurgical processing, hydrogeological, hydrological, geotechnical, mine design, tailings storage and environmental. This will culminate a Prefeasibility Study and ultimately a Feasibility Study and complete Environmental and Social Impact Assessment. The Prefeasibility Study is currently targeted to be completed in Q1 2020 with the Feasibility Study and an Environmental and Social Impact Assessment planned for Q4 2020.

The near-term plan is focused around the following targets for 2019/2020, which are identified in the flowchart below:

- Prioritising the continued exploration and growth of a high-grade resource base at Rupice;
- Development of an integrated plan that optimises project economics at both locations;
- Advancing the permitting status on a well-defined pathway towards exploitation; and
- Continued exploration on regional brownfield prospects to define further drill targets.

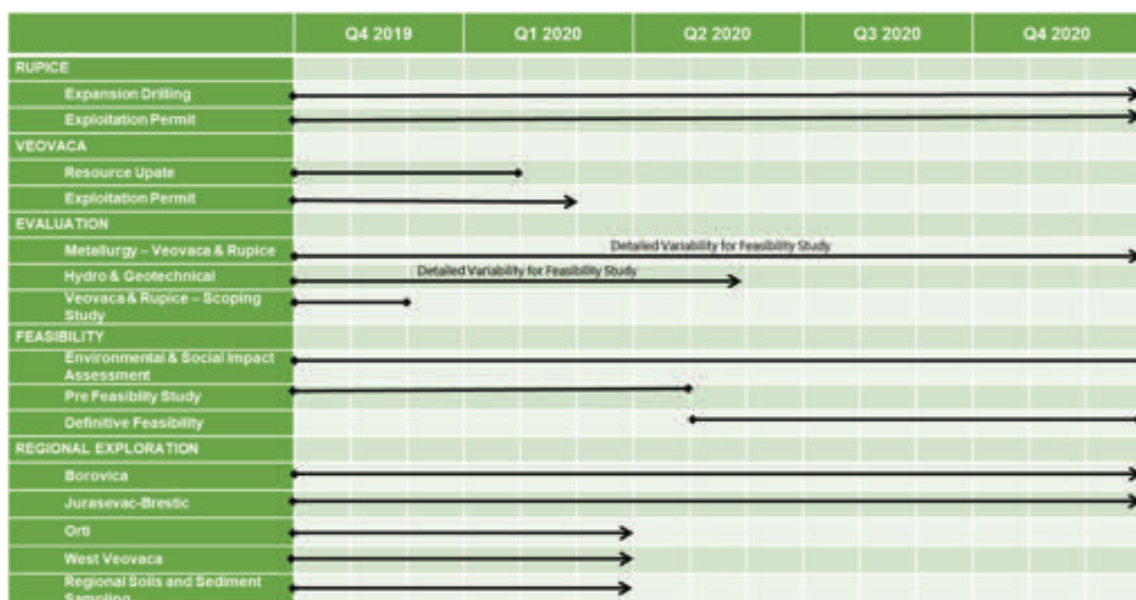


Figure 5: Planned work programs for 2019 and 2020

## 7. Reasons for Listing

The Directors expect that the dual listing will enable the Company to reach additional institutional investors in the UK and Europe to increase share trading liquidity and to further raise the profile of the Company and the Vareš Project.

## 8. Competition

The Directors believe that the primary competitors of the Group are companies currently producing base and precious metals that have the ability to expand their operations, and other companies developing new base and precious metals projects.

Once in production, the Vareš Project is expected to represent a relatively small component of the annual market for its key commodities for which supply is broadly diversified, with the possible exception of barite where the Vareš Project has the potential to represent a significant new source of supply to the market.

## 9. Employees

In the financial years ended 30 June 2019 and 30 June 2018, and the period from 3 February 2017 to 30 June 2017, the Group has employed, on average, and as at the Last Practicable Date employs the following numbers of people:

	<b>Last Practicable Date</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Eastern Mining</b>				
Administrative staff	5	5	4	1
Exploration	16	16	10	4
<b>Total Eastern Mining</b>	<b>21</b>	<b>21</b>	<b>14</b>	<b>5</b>
<b>Adriatic</b>				
Directors	7	5	3	2
Administrative and management	4	4	2	1
<b>Total Adriatic</b>	<b>11</b>	<b>9</b>	<b>5</b>	<b>3</b>
<b>Total Group</b>	<b>32</b>	<b>30</b>	<b>19</b>	<b>8</b>

As at the Last Practicable Date, the Company retained the services of 3 consultants.

## 10. Incentive Schemes

The Company has in place three share option schemes, namely the Option Plan 2018, the Option Plan 2019 and the ESOP 2019. New Options will be granted under the Option Plan 2019 and the ESOP 2019. Further details of the share option schemes and the Options and Performance Rights granted under them are set out in paragraph 17 of Part XVII of this document.

## 11. Tax

Further details relating to taxation are set out in Part XV of this document, 'Taxation'.

## 12. Environmental and Social

Adriatic recognises the importance of ethical conduct, human rights and the Company's impact on the environment. The Company is committed to adhering to internationally recognised and accepted standards and responsible business conduct such as the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

To date Adriatic's activities have been primarily exploration and community engagement via public meetings. Recently a Community Liaison Office has been established in the town of Vareš, to

facilitate less formal interactions between stakeholders and the Company, but as further project development plans are confirmed, the Community Liaison Office, coupled with active digital and social media campaigns, will expand the information outflows to the local community to facilitate discussion and cooperation.

In August 2019 the Company commissioned Critical Resource, an advisory firm that supports mining and energy companies to assess and manage political, environmental, social and governance and stakeholder issues, to complete a high level review and gap analysis of its early stage approach to ESG issues. Critical Resource provided an initial set of recommendations and a draft 'ESG framework' for strengthening the approach as the Vareš Project progresses and to conduct training on anti-bribery and corruption issues. The Company will be taking recommendations of the Critical Resource report and using them to inform in part the scope and process of the ESIA.

The Company has engaged Wardell Armstrong International to conduct a full Equator Principles compliant ESIA which commenced in Q4 2019. This ESIA will incorporate the Bosnia & Herzegovina requirements for the Environmental Impact Survey, which was submitted to the Federal Ministry of Environment and Tourism in October 2019, as well as a broader scope to align with Company policies, the Equator Principles (2013), IFC Performance Standards (2012) and EBRD's Performance Requirements (2014).

### **13. Insurance**

During the construction phase of the Vareš Project, should a development decision be taken, and following the commencement of operations at the Vareš Project, the Group's operations will be subject to numerous development, construction and operating risks normally associated with mining exploration, development, construction and production activities. The Directors believe that the Group's existing insurance coverage is reasonable to cover all general material risks associated with the Group's current operations, however additional insurance will be put in place as development activities increase.

### **14. Dividend policy**

The Company has yet to develop its dividend policy and the funding requirements and expected time for the further development, construction and commissioning of the Vareš Project may restrict the Company in relation to when it will be in a position to pay dividends. Any decision to declare and pay dividends will be made at the discretion of the Board and will depend on, among other things, the Group's results of operations, financial condition and solvency and distributable reserves tests imposed by law and such other factors that the Board may consider relevant.

## PART VIII

### DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

#### 1. THE DIRECTORS

##### **Peter Bilbe, B. Eng (Mining) (Hons) (age 69) (Non-Executive Chairman)**

Mr Bilbe is a mining engineer with 40 years Australian and international mining experience in gold, base metals and iron ore at the operational, CEO and board levels. Mr Bilbe is currently Non-Executive Chairman of Independence Group NL and since 2009 has overseen its growth from operating a single mine to a A\$3.5 billion diversified gold and base metals mining and exploration company. Mr Bilbe is also Non-Executive Chairman of Intermin Resources Ltd, an emerging gold developer.

Peter Bilbe was appointed as the Non-Executive Chairman of the Company on 16 February 2018 and serves as Chair of the Remuneration Committee and of the Nomination Committee.

##### **Paul Cronin, B. Com & MBA (age 45) (Managing Director & Chief Executive Officer)**

Mr Cronin is a unique resource finance specialist, with significant experience in equity, debt and mergers and acquisitions within the sector. As Chief Executive Officer 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 resource fund, RMB Resources where he originated, structured and managed several debt and equity investments on behalf of the fund. Paul is currently Chief Executive Officer of ASX & TSX listed Black Dragon Gold Corp., and Non-Executive Director of Global Atomic Corporation.

Paul Cronin was appointed as a Director of the Company on 3 February 2017.

##### **Julian Barnes, Bsc (Hons) (age 65) (Non-Executive Director)**

Dr Barnes is a geologist with extensive experience in major exploration and development projects. Previously, he was Executive Vice President Dundee Precious Metals where he led exploration, project acquisition, and due diligence with a strong focus on Balkan mining & development.

He 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 a Non-Executive Director of Thor Explorations Ltd, a company listed on the Toronto Stock Exchange (Venture Exchange) and Zinc Of Ireland NL, a company listed on the Australia Securities Exchange.

Julian Barnes was appointed as a Director of the Company on 16 February 2018 and serves as a member of the Audit and Risk Committee and the Nomination Committee.

##### **Michael Rawlinson (age 50) (Non-Executive Director)**

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.

Mr Rawlinson is currently a Non-Executive Director of Hochschild Mining Plc and Capital Drilling Limited and previously served as a Non-Executive Director of Talvivaara Mining Company Plc between April 2012 and November 2013.

Mr Rawlinson was appointed to the Board on 4 March 2019 and serves as a Chair of the Audit and Risk Committee and a member of the Remuneration Committee.

##### **Milos Bosnjakovic (age 61) (Non-Executive Director)**

Mr Bosnjakovic is a dual national of Australia and Bosnia Herzegovina and was the co-founder of ASX-listed Balamara Resources Limited. He has significant experience in mineral projects in the region and is a qualified lawyer with extensive experience in the Former Yugoslav Republics, Australia and New Zealand. Mr Bosnjakovic is currently engaged as consultant to Adriatic, responsible for government and regulatory relations, and will remain in that important role.

Mr Bosnjakovic was appointed to the Board on 16 July 2018 and serves as a member of the Remuneration Committee.

**John Richards (age 59) (Non-Executive Director)**

Mr Richards is an economist with more than 35 years' experience in the resources industry. During this time he has held strategy and business development positions within mining companies as well as in investment banks and private equity groups. He has been involved in a wide range of mining M&A transactions in multiple jurisdictions.

Mr Richards is currently a non-executive director of Sheffield Resources Ltd and Saracen Mineral Holdings Ltd.

Previously, Mr Richards was Group Executive (Strategy and Business Development) at Normandy Mining Ltd, Head of Mining and Metals Advisory (Australia) at Standard Bank, Managing Director at Buka Minerals Ltd and Operating Partner at Global Natural Resources Investments. Mr Richards holds a B Econ (Hons) from the University of Queensland.

John Richards was appointed as a Director of the Company on 11 November 2019 and serves as a member of the Audit and Risk Committee.

**Sandra Bates, B. Com. & LL. B. (Hons.) (age 46) (Non-Executive Director)**

Ms Bates is an international corporate 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 specialist in corporate finance, cross-border M&A and corporate law and brings extensive experience of guiding clients in the natural resources sector through complex negotiations.

Originally from Australia, Sandra started her career in London at Freshfields Bruckhaus Deringer LLP in 1999 and subsequently developed her international M&A skills at Skadden, Arps, Slate, Meagher & Flom LLP and Stikeman Elliott (London) LLP where she became a partner in 2011. In 2018, Sandra joined Fladgate LLP as a partner in the corporate finance team where she is a mining and metals sector expert. Sandra is also a member of Women in Mining (UK).

Sandra Bates was appointed to the Board on 11 November 2019 and serves as a member of the Nomination Committee.

**Director remuneration**

Details of the terms of engagement and remuneration packages of the Directors is set out in paragraphs 15.13 and 15.14 of Part XVII of this document.

**2. SENIOR MANAGERS**

**Graham Hill – Chief Operating Officer**

Mr Hill is an experienced mining engineer and was previously Chief Executive Officer of Silver Bear Resources Plc where he took the company from exploration through to production, overseeing the development of a remote underground mining operation in Siberia. Mr Hill has successfully overseen the evaluation and development phases for multiple mining operations in Africa and Central Asia during his 35 year career, which commenced with Anglo American Plc, and where he was later accepted into the company's renowned management development program.

Graham Hill was appointed as Chief Operating Officer on 23 April 2019.

**Sean Duffy, MBA, Grad Cert. in Business Marketing – Chief Financial Officer & Joint Company Secretary**

Mr Duffy brings with him more than 20 years of international finance experience in the mining industry, including key positions with BHP Billiton and other AIM/ASX listed companies. Mr Duffy was appointed as Chief Financial Officer and Company Secretary on 17 November 2017.

**Gabriel Chiappini – Joint Company Secretary**

Mr Chiappini is an experienced ASX director and has been active in the capital markets for 17 years. He has assisted in raising over A\$450 million and has provided investment and divestment guidance to a number of companies, and has been involved with 10 ASX IPOs in the

last 12 years. He is a member of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand. Mr Chiappini is a director of Black Rock Mining Limited and Eneabba Gas Limited.

### **Adnan Teletovic, B. Eng (Hons.) – General Manager, Eastern Mining**

Dr Teletovic is a dual Bosnian-Australian national with extensive experience in the mining industry having previously held senior positions at Kalgoorlie Consolidated Gold Mines Pty Ltd, BHP Billiton Plc and the Prevent Group, one of Bosnia's largest diversified industrial corporations. Dr Teletovic has a Bachelor of Engineering (Hons.) from Victoria University of Technology, a PhD from Deakin University and has significant experience in not only general management but also a track record in managing large capital mining projects in the Australian mining industry.

## **3. CORPORATE GOVERNANCE**

### **Board of directors**

#### ***Members and responsibility***

The Board currently comprises one executive director, Paul Cronin, and six non-executive directors. The Company considers Michael Rawlinson and Sandra Bates to be independent non-executive directors under the ASX Principles and Recommendations however such persons are not considered independent under the QCA Code.

The Board is responsible for evaluating and setting the strategic direction for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director and Chief Executive Officer is responsible to the Board for the day-to-day management of the Group.

The Board derives its authority to act from the Articles and the Companies Act.

Specific responsibilities reserved to the Board include:

- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;
- appointment, and where necessary, the replacement, of the Managing Director/Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination and approving the Company's overall remuneration framework;
- monitoring the timeliness and effectiveness of reporting to Shareholders;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the company has sufficient clarity to be actively monitored and approving the annual, half yearly and quarterly accounts. Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the applicable listing rules and regulatory requirements); and
- approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends.

#### ***Frequency of meetings***

The Board will hold quarterly meetings and will hold additional meetings as and when required.

## Corporate Governance framework

The Board is responsible for the corporate governance of the Company, and has developed policies to ensure that an appropriate level of corporate governance is in place. The Company's corporate governance system is reviewed regularly by the Board to ensure that it fulfils the needs of Shareholders.

As the Company is seeking a Standard Listing, the Company is not required to comply with the provisions of the UK Corporate Governance Code. Nevertheless, the Directors are committed to maintaining high standards of corporate governance as detailed in the Company's corporate governance charter and propose, so far as is practicable given the Company's size, nature, and stage of development to comply with the provisions of the QCA Code. At present, the Directors acknowledge that full compliance with certain provisions of the QCA Code may be delayed until such time as the Directors are able to fully implement them. In particular, action will be required in the following areas:

- The QCA Code recommends that at least two non-executive directors should be independent. Although the QCA Code notes that independence is a board judgement, the QCA Code recommends that non-executive directors should not normally have a significant interest in a company's share option scheme. Of the Company's current non-executive directors, each of Peter Bilbe, Julian Barnes, Michael Rawlinson, Milos Bosnjakovic, John Richards and Sandra Bates have been granted Options. Given the Company's size, stage of development and level of financial resources, the Company considered it appropriate to grant options to such directors in order to secure their services (in lieu of paying greater cash fees) and has, in accordance with the ASX Listing Rules, sought shareholder approval for the grant of Options to Directors.
- The Company does not currently have a senior independent director. Accordingly, the Company does not comply with the QCA Code recommendations regarding board composition. Michael Rawlinson acts as the Company's senior non-executive director, however he is not considered to be independent due the Options granted to him. As the Company grows it is anticipated that the Board will seek to appoint additional independent directors, one of whom will be appointed as a senior independent director.

Given the Company is listed on the ASX, the Board of Directors of the Company is responsible for establishing the corporate governance framework of the group having regard to the ASX Principles and Recommendations. The Board has adopted a corporate governance framework, based upon those Principles and Recommendations deemed appropriate for the Company, which the Board considers to be suitable given the size, history and strategy of the Company. However, the Company departs from certain Principles and Recommendations as determined by the Board. The ASX Listing Rules require companies to either adopt the ASX Principles and Recommendations or to explain why they have not adopted a recommendation if they consider it inappropriate in the company's circumstances. Information about the Company's corporate governance policies is accessible on the Company's website at <https://www.adriaticmetals.com/the-business/>.

## Committees

The standing committees of the Board are currently constituted as follows:

<b>Committee</b>	<b>Chair</b>	<b>Members</b>
Audit and Risk Committee	Michael Rawlinson	Michael Rawlinson Julian Barnes John Richards
Remuneration Committee	Peter Bilbe	Peter Bilbe Michael Rawlinson Milos Bosnjakovic
Nomination Committee	Peter Bilbe	Peter Bilbe Julian Barnes Sandra Bates

### Audit and Risk Committee

The Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. The committee will meet at least twice each financial year. The committee composition requirements which the Board must strive towards include (amongst other items), that the committee must comprise at least three members, all members must be non-executive directors, a majority of the members must be independent non-executive directors and the chairman of the Board must not chair the committee.

### Remuneration Committee

The Remuneration Committee is to assist the Board in monitoring and reviewing any matters of significance affecting the remuneration of the Board and employees of the Company. The committee will meet at least twice per year. The committee composition requirements which the Board must strive towards include (amongst other items), that the committee must comprise at least three non-executive directors, the majority of whom must be independent and the committee will be chaired by an independent non-executive director.

### Nomination Committee

The Nomination Committee is to lead the process for the Board in monitoring and reviewing any matters of significance affecting the composition of the Board, in particular making recommendations to the Board to achieve the optimal composition. The committee will meet at least twice per year. The committee composition requirements which the Board must strive towards include (amongst other items), that the committee must comprise at least three non-executive directors, the majority of whom must be independent and the Board shall appoint the chairman of the committee who shall be the chairman of the Board or an independent non-executive director.

### Securities trading policy

In order to comply with the Market Abuse Regulations and DTRs and the ASX Listing Rules, the Company will adopt a Securities Trading Policy in relation to the Ordinary Shares, CDIs and other securities in the Company immediately prior to Admission.

The Securities Trading Policy applies to PDMRs and their associates and employees and consultants of the Company. Under the Securities Trading Policy, PDMRs and their associates and employees and consultants are prohibited from dealing in the Company's securities if they have in their possession information that they know, or ought reasonably to know, is inside information. The Securities Trading Policy also provides prescribed closed periods during which PDMRs and their associates and employees and consultants are prohibited from dealing in the Company's securities. PDMRs and their associates and employees and consultants must obtain written clearance from an approving officer prior to any dealings in the Company's securities.

**Continuous disclosure policy**

Immediately prior to Admission, the Company will adopt a Continuous Disclosure Policy to ensure that the Company, as a minimum: (a) complies with its continuous disclosure obligations under the ASX Listing Rules, MAR and the DTR as applicable to the Company; (b) provides shareholders and the market with timely, direct and equal access to information issued by the Company; and (c) promotes investor confidence in the integrity of the Company and its securities.

## PART IX

### INDUSTRY OVERVIEW

#### Industry Overview

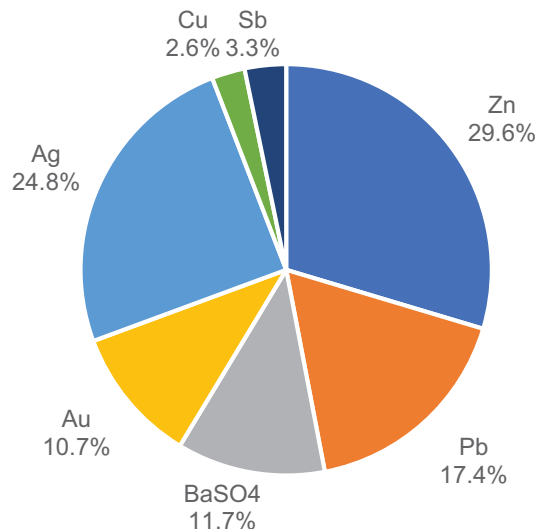
The Rupice and Veovača projects are based on polymetallic orebodies, containing seven identified economic commodities; zinc, lead, silver, gold, copper, antimony and barite.

The prices for these commodities as at 5 December 2019 and average prices for the years 2015 – 2018 and year to date 2019 are set out in the following table:

Price History	Unit	2015	2016	2017	2018	YTD-2019	As at 5 Dec 2019
Zinc	US\$/t	1,929	2,096	2,894	2,920	2,567	2,255
Lead	US\$/t	1,786	1,871	2,317	2,241	2,007	1,893
Silver	US\$/oz	16	17	17	16	16	17
Gold	US\$/oz	1,160	1,250	1,259	1,269	1,388	1,476
Copper	US\$/t	5,497	4,865	6,165	6,520	5,995	5,855
Barite	US\$/t	194	187	179	180	n/a	n/a
Antimony	US\$/t	7,318	6,541	8,265	8,254	6,673	6,000

Sources: LME, FactSet, US Geological Survey, Bloomberg

Using the life of mine payable metal production targets from the Scoping Study the economic value of the Rupice and Veovača orebodies is distributed approximately as follows:



#### Zinc

Zinc is primarily used as a coating to protect iron and steel from corrosion in a process called galvanising. It is also used to make bronze, brass and other alloys. Other uses for zinc are in rubber, chemical, paint and agricultural industries. It is commonly found as a trace element in the human body, and is essential for growth and development of humans, animals and plants. Primary substitutes for zinc are plastics and aluminium for galvanising, with multiple substitutes for other uses.

Global zinc production in 2018 was estimated at 13.42 million tonnes, compared to global consumption estimated at approximately 13.74 million tons, resulting in a slight deficit. Approximately 33% of 2018 global mine production is from China, with other major producing countries including Peru (13%), Australia (6%), India (6%) and the USA (6%).

## **Lead**

Lead is a corrosion resistant, dense material that has been used for thousands of years. Early uses of lead were for building materials and pipes, ammunition, and pigments for paints. More recently the rise in the automotive industry in the twentieth century increased demand for lead in lead-acid storage batteries and as an additive for petrol. More recently, environmental regulations have changed the demand profile for lead, which is now mostly used in storage batteries (88% of consumption) for vehicles, backup power sources for essential services, and load-levelling systems for utility companies.

Global lead production in 2018 was estimated at 11.59 million tonnes, of which 4.4 million tonnes came from mine production. Production from China accounted for 48% of total mine production. Secondary lead production is mostly recycling from old lead-acid batteries. Consumption in 2018 was estimated at 11.71Mt, resulting in a slight deficit.

## **Silver**

Silver has been used as currency and for the production of ornaments and jewellery for thousands of years. More recently, silver's optical reflectivity, thermal and electrical conductivity, catalytic, antibacterial, and photosensitive properties have led to multiple applications including photography, mirrors, healthcare, and electronics.

The world's largest producer of silver is Mexico, producing approximately 23% of world mined production in 2018. Other large producers are Peru (16%) and China (13%). Silver is mostly produced as a by-product from polymetallic mines. The typical substitute for silver is stainless steel, for the production of cutlery and utensils. Increased digital photography has reduced overall demand for traditional photographic uses.

## **Gold**

Gold has been a symbol and store of wealth since the start of recorded history. A dense and malleable metal, gold has been used for jewellery, currency, and art throughout history. The gold standard was used as a monetary policy in the 19<sup>th</sup> and 20<sup>th</sup> centuries before being replaced by a fiat currency system in 1971. Today, gold is mostly used either as jewellery or as an investment, representing a long term stable source of value, however the metal has multiple industrial uses, primarily in electronics and circuitry.

Approximately 3,260 tonnes of gold was produced in 2018, the largest proportion coming from China (12%). Other large gold producing countries include Australia (10%), Russia (9%), USA (6%) and Canada (6%).

## **Copper**

Copper is globally the third most used metal, after steel and aluminium, and is primarily used for its superior electrical conductivity, with over half of copper produced is for electrical uses. Copper in the form of a wire or a cable can be used in power generation and transmission, telecommunications, and circuitry. It is also used in industrial processes which require thermal conductivity, ease of machining, strength and malleability, and corrosion resistant in the building construction, consumer durables and utilities sectors. The arrival and rapid growth in electric vehicles has been another source of new demand in recent years.

The largest copper mines in the world are typically large open pit operations mining porphyry copper deposits. Mine production is dominated by Latin America; Peru and Chile comprise c.40% of global primary production. Total world mined production in 2018 was estimated at 21 million tonnes.

## **Antimony**

Antimony is a minor metal primarily used as a fire retardant in adhesives, paints, plastics, sealants, and household furnishings as antimony trioxide, and in industrial and military applications in alloys to add strength, hardness and resistance to corrosion. Antimony is on the European Union and United States supply 'at risk' watchlists as a strategic metal and was included on the 2018 United States list of critical metals. China hosts approximately 32% of global resources and produces approximately 71% of the world supply and has in place export quotas. Remaining production is largely from Australia and Bolivia.

**Barite**

Barite has a particularly high specific gravity for a non-metal, of 4.5. The majority of industrial uses for the mineral utilise that trait. Barite is primarily used as a weighting agent in drilling fluids for oil and gas wells. Additionally, barite is used as a filler or weighting agent in paints, plastics and rubber. The mineral also has some usage in the automotive industry and is often mixed into high-density concrete for radiation shielding.

China produces approximately one third of the global mined supply of barite, India is the next largest producer with 21% market share. Minerals such as ilmenite and hematite have been trialled as substitutes for drilling mud but have had limited penetration.

## PART X

### BOSNIA & HERZEGOVINA OVERVIEW AND REGULATORY FRAMEWORK

#### Country Overview

Bosnia and Herzegovina is located in south-eastern Europe, bordered by Croatia, Serbia and Montenegro, having declared independence from the former Yugoslavia on 3 March 1992. The capital, Sarajevo, has a population of approximately 343,000 out of a total country population of approximately 3.3 million.

The 1992 independence referendum was boycotted by ethnic Serbian citizens, and led to armed conflict between 1992 and 1995 as part of the breakup of Yugoslavia. The conflict was primarily along ethnic and religious lines, between the Orthodox Bosnian Serbs, the Roman Catholic Croats and the Muslim Bosniaks.

The Bosniaks are the largest ethnic group in Bosnia and Herzegovina, comprising 50.1% of the population, followed by Serbs (30.8%) and Croats (15.4%). There are three official languages: Bosnia, Serbian, and Croatian.

The country is mostly landlocked, with a narrow 20km coastline at the Adriatic Sea. The terrain consists of mountains and valleys, with hot summers and cold winters. Areas of higher elevation tend to have more extreme cold weather.

A peace agreement was signed in 1995, creating both a multi-ethnic central government in charge of foreign and fiscal policies, and a second tier of government comprising two approximately equal areas: the predominantly Bosniak-Croat 'Federation of Bosnia and Herzegovina and the majority Bosnian-Serb 'Republika Srpska'.

Bosnia and Herzegovina has a three member presidency on a rotation basis, comprising one Bosniak and one Croat elected from the Federation of Bosnia and Herzegovina and one Serb elected from the Republika Srpska.

The country's economy is dominated by exports of commodities (metals, clothing and wood products). The currency is the Convertible Mark, which is pegged to the Euro at a rate of 1: 1.95583. Bosnia and Herzegovina applied for membership of the European Union in 2016 and is considered a 'potential candidate' for EU membership. Presently, the country has a Free Trade Agreement with the EFTA states (Switzerland, Iceland, Liechtenstein, and Norway), is a member of the Central European Free Trade Agreement and has a Stabilisation and Association Agreement with the European Union. Bosnia and Herzegovina is not currently a member of the World Trade Organisation but is well advanced on the path to accession.

Bosnia and Herzegovina has good levels of infrastructure; with four main international airports, five international road connections, and rail links to neighbouring Croatia and Serbia.

Current environmental challenges the country is facing include air pollution, deforestation, waste-water.

#### Regulatory Framework

The exploration and exploitation of minerals in Bosnia and Herzegovina is primarily governed by the following laws:

- the Law of Geological Explorations (No. 09/10 and 14/10 of 2010), which regulates geological exploration and related activities and research;
- the Law of Mining (No. 26/10 of 2010), which regulates exploitation, extraction and processing of minerals; and
- the Law on Concessions (No. 40/02 of 2002), which regulates the grant of concessions by the Federal Government of Bosnia and Herzegovina or by individual cantons of Bosnia and Herzegovina.

The above laws are applied at both the federal level and by the individual cantons, and are supported by various state, Federal, cantonal and municipal laws relating to environmental protections, planning, forestry, water, property, employment and taxation. The government authority

with overall responsibility for exploration and exploitation of minerals is the Ministry of Energy, Mining and Industry.

Before undertaking any exploration or exploitation activities (under permits obtained from the Ministry) a concession agreement must be entered into between the concessionaire and the relevant canton. Although the federal government has authority, pursuant to the Law on Concessions, to grant concessions, to date, none have been granted by the federal government and have instead been granted by individual cantons, subject to the concessionaire satisfying the technical and financial qualifying criteria.

Once the concession agreement has been granted by the relevant canton, the concessionaire may apply to for exploration and exploitation permits in accordance with the Law of Geological Explorations and the Mining Law, respectively.

A concessionaire holding an exploration permit, may apply and receive an exploitation permit after submitting technical documentation and satisfying other technical conditions as required by the Mining Law; following a successful application, an exploitation permit will then be issued.

The duration of exploration and exploitation rights or phases are not defined by the Law of Geological Explorations or Law on Concessions, but are set out in a concession agreement and subject to agreement with the canton. Likewise, minimums work programs, expenditure on exploration activities, and royalty rates and tariffs are not fixed by the legislation but are specified in the concession agreement.

## **PART XI**

### **HISTORICAL FINANCIAL INFORMATION**

Please refer to the Appendix to this document for the audited financial reports of the Group for the financial years ended 30 June 2019 and 30 June 2018, and for the period from 3 February 2017 to 30 June 2017.

Part 1 of the Appendix contains the Company's consolidated audited financial statements for the financial year ended 30 June 2019.

Part 2 of the Appendix contains the Company's consolidated audited financial statements for the financial year ended 30 June 2018.

Part 3 of the Appendix contains the Company's consolidated audited financial statements for the period from 3 February 2017 to 30 June 2017.

## PART XII

### OPERATING AND FINANCIAL REVIEW

The following discussion and analysis is intended to assist in the understanding and assessment of the trends and significant changes in the Group's results of operations and financial condition during Historical Financial Information Period. Historical results may not be indicative of future financial performance. Forward-looking statements contained in this review that reflect the current view of management involves risks and uncertainties and are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors". In this document the consolidated financial statements presented are those of the Group. This discussion is based on the consolidated financial statements of the Group and should be read in conjunction with its consolidated financial statements and the accompanying notes contained in the Appendix to this document, as referred to in Part IX of this document, 'Historical Financial Information' and with the information relating to the business of the Group included elsewhere in this document. Unless otherwise indicated, all of the financial data and discussions thereof are based upon financial statements prepared in accordance with IFRS. Investors should read the whole of this document and not rely just on summarised information.

#### 1. Overview

The principal activity of the Group during the Historical Financial Information Period was exploration on the Group's licences that comprise the Vareš Project and advancing the Vareš Project through its study phase. The Vareš Project comprises a historic open cut zinc/lead/silver/gold and barite mine at Veovača and Rupice, an advanced proximal deposit which exhibits exceptionally high grades of base and precious metals. The Group intends to expand the current JORC resource at Veovača and to complete in-fill and expansion drilling programme at the high-grade Rupice deposit, followed by the completion of a pre-feasibility study and ultimately bring the Vareš Project into production once the a feasibility study has been completed, the required mining licences have been granted, and development funding has been secured.

In the Historical Financial Period the Group did not record any revenue (aside from interest income from cash held) because it was primarily in the exploration and study phase of operations.

#### 2. Summary of key financial risks

The Group's historical and expected activities expose it to a variety of financial risks including availability of capital, market, commodity, credit, liquidity, foreign exchange and interest rate risks. Further information can be found in Part 2 of this document.

#### 3. Use of estimates and judgements in applying the Company's accounting policies

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the following is an area where particular judgement is required:

##### ***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.

#### 4. Significant factors affecting results of operations

The Directors consider that the following factors are those, which are most likely to influence the financial position of the Group and results of operations:

##### **Commodity prices**

The Group aims to generate the majority of its income from the sale of zinc, lead, gold, silver, copper and barite from the Vareš Project following its development. The Vareš Project comprises a historic open cut zinc, copper, lead, gold, silver, antimony and barite mine at Veovača and Rupice, an advanced proximal deposit which exhibits high grades of base and precious metals.

It is intended that the commodities will be sold primarily via marketing agreements with traders and/or end-users. As a result, the future income of the Group is directly related to the market prices for the suite of commodities produced. Commodity prices can fluctuate and are affected by factors outside of the Group's control, including the balance of global supply and demand.

For further information on the commodity markets relevant to the Group see Part IX. A summary of the average prices of zinc, copper lead, gold, silver, antimony and barite for the previous four years to 31 December 2018 and the six months ended 30 June 2019 is set out below:

<b>Price History</b>	<b>Unit</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>YTD-2019</b>	<b>As at 5 Dec 2019</b>
Zinc	US\$/t	1,929	2,096	2,894	2,920	2,568	2,255
Lead	US\$/t	1,786	1,871	2,317	2,241	2,007	1,893
Silver	US\$/oz	16	17	17	16	16	17
Gold	US\$/oz	1,160	1,250	1,259	1,269	1,388	1,476
Copper	US\$/t	5,497	4,865	6,165	6,520	5,995	5,855
Barite	US\$/t	194	187	179	180	n/a	n/a
Antimony	US\$/t	7,318	6,541	8,265	8,254	6,673	6,000

Sources: LME, FactSet, US Geological Survey, Bloomberg  
Table 7

##### **Exploration and evaluation results**

Results from the Group's current and future exploration and evaluation programmes at the Vareš Project will be important in determining the Group's future strategy and allocation of resources.

##### **Operating costs**

The Group prepares budgets and estimates of operating costs for its operations and its main costs relate to material costs, workforce and contractor costs. The development of mineral projects can

be subject to substantial expenditures and the fluctuation of costs over time, and development projects may be prone to material cost overruns. The Group's actual costs may vary from estimates for a variety of reasons, including: short-term operating factors; revisions to development plans; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, water availability and unexpected labour issues, labour shortages, strikes or community blockades. The Group's ability to develop the Vareš Project and its long-term profitability will, to a significant extent, be dependent on its ability to maintain cost effective operations.

### ***Liquidity and financing***

Disruptions in the capital and credit markets as a result of uncertainty, geopolitical events, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Group's access to the liquidity needed for its business in the longer term. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Vareš Project.

Outside of the Working Capital Period, the Group may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If the Group does so, the risks related to the Group's indebtedness could intensify, including: (i) increased difficulty in satisfying existing debt obligations; (ii) limitations on the ability to obtain additional financing, or imposed requirements to make non-strategic divestitures; (iii) imposed hedging requirements, (iv) imposed restrictions on the Group's cash flows, for debt repayment; (v) increased vulnerability to general adverse economic and industry conditions; (vi) interest rate risk exposure as borrowings may be at variable rates of interest; (vii) decreased flexibility in planning for and reacting to changes in the industry in which it competes; (viii) reduced competitiveness as compared to less leveraged competitors; and (ix) increased cost of borrowing.

The Group's ability to make scheduled payments on or refinance its future debt obligations, depends on the Group's financial condition and operating performance which are subject to prevailing economic and competitive conditions and to various external and other risks as indicated above.

### ***Exchange rates***

The Group is exposed to currency risk. Adriatic's reporting currency and a proportion of its cost base (primarily corporate overheads) is in GBP. The Company's Ordinary Shares (in the form of CDIs) are admitted to trading on the ASX in A\$. Adriatic's common shares will trade on the London Stock Exchange in GBP. Once in production, Adriatic will receive revenues from the sale of commodities from the Vareš Project primarily in US dollars. The majority of expenses incurred at the Vareš Project will be in BAM and the Group may have other costs denominated in US dollars.

The BAM has been pegged to the Euro at a rate of 1 Euro = 1.95583 BAM since the introduction of the EUR in 2002.

## **5. Results of operations**

The following discussion and analysis of the Group's results of operations and financial condition is based on the Group's historical results as derived from the financial statements for the Historical Financial Information Review Period contained as an Appendix to this document, a summary of which can also be found in Part I.

## Income statement

The following table summarises the Group's consolidated income statement for the Historical Financial Information Review Period.

	Year ended 30 Jun 2019 £	Year ended 30 Jun 2018 £	Period from 3 Feb 2017 to 30 Jun 2017 £
<b>REVENUE</b>			
Sale of services	—	—	1,519
<b>GROSS PROFIT</b>			<b>1,519</b>
Administrative expenses	(2,163,209)	(2,170,921)	(286,461)
<b>OPERATING LOSS</b>	(2,163,209)	(2,170,921)	(284,942)
Finance costs	(254,444)	(242,224)	(7,365)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	(2,417,653)	(1,928,697)	(292,307)
Tax	—	—	—
<b>LOSS FROM CONTINUING OPERATIONS</b>	(2,417,653)	(1,928,697)	(292,307)
Other comprehensive income	42,875	5,965	25,402
<b>TOTAL COMPREHENSIVE INCOME</b>	(2,374,778)	(1,922,732)	(266,905)
<b>Earnings per share expressed in pence per share:</b>			
Basic	(1.69)	(2.27)	(0.55)
Diluted	(1.49)	(2.10)	(0.55)

### **Revenue**

The Group had no revenue for the Historical Financial Information Review Period.

### **Administrative expenses**

Administrative expenses were steady between 2018 and 2019 being approximately £2.2 million in both years.

### **Earnings per share**

Basic earnings per share increased from negative 2.27p per share in 2018 to negative 1.69p per share in 2019 driven by an increase in the average weighted number of shares outstanding between the periods.

### **Statement of financial position**

The following table summarises the Group's financial position for the Historical Financial Information Review Period.

	As at 30 Jun 2019 £	As at 30 Jun 2018 £	As at 30 Jun 2017 £
<b>NON-CURRENT ASSETS</b>			
Intangible assets	3,971,210	1,034,235	282,107
Tangible assets	721,128	626,308	585,686
	<u>4,692,338</u>	<u>1,660,543</u>	<u>867,793</u>
<b>CURRENT ASSETS</b>			
Inventories	—	—	22
Trade and other receivables	361,724	147,711	17,688
Cash and cash equivalents	5,369,759	4,644,389	311,470
	<u>5,731,483</u>	<u>4,792,100</u>	<u>329,180</u>
<b>TOTAL ASSETS</b>	<u>10,423,821</u>	<u>6,452,643</u>	<u>1,196,973</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	2,013,701	1,733,042	856,323
Share premium	11,084,777	5,515,049	406,183
Other capital reserves	1,714,826	1,282,365	—
Other reserves	74,242	31,367	25,402
Retained deficit	(4,638,657)	(2,221,004)	(292,307)
<b>TOTAL EQUITY</b>	<u>10,248,889</u>	<u>6,340,819</u>	<u>995,601</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	174,932	111,824	201,372
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>10,423,821</u>	<u>6,452,643</u>	<u>1,196,973</u>

### **Assets**

The Group's current assets comprise primarily cash and cash equivalents of approximately £5.4 million as at 30 June 2019 (2018: approximately £4.8 million), the increase being the additional equity capital raised during the period net of finance costs and administrative expenses. The Group's non-current assets of approximately £4.7 million as at 30 June (2018: £1.7 million) comprise primarily intangible assets, being the Group's exploration and evaluation assets, the increase attributable to the spending on exploration and evaluation activities during the period.

### **Liabilities**

Total liabilities, consisting solely of trade and other payables were steady between 2018 and 2019 being approximately £0.2 million and £0.1million respectively.

### **Off balance sheet items**

The Group does not have any off-balance sheet items.

### **Contractual Obligations and Commitments**

As at 30 June 2019 the Group has no material contractual obligations or commitments.

## Cash flows

	Year ended 30 Jun 2019	Year ended 30 Jun 2018
	£	£
<b>Loss</b>	(2,417,653)	(1,928,697)
Foreign exchange difference on consolidation	42,875	5,965
Depreciation and amortisation	88,674	8,910
Share based payments	432,461	1,161,408
Other non-cash movements	—	(4,885)
<b>Working capital adjustments:</b>		
Increase in trade and other receivables	214,013	(130,023)
Decrease in inventories	—	22
Increase/(Decrease) in trade and other payables	63,108	(89,548)
<b>Net cash flows used in operating activities</b>	<u>2,004,548</u>	<u>(976,848)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(105,998)	(40,296)
Purchase of intangible assets	(3,014,471)	(756,479)
<b>Net cash flows used in investing activities</b>	<u>3,120,469</u>	<u>(796,775)</u>
<b>Financing activities</b>		
Issue of share capital (net of fees)	5,850,387	6,106,542
<b>Net cash flows generated from financing activities</b>	<u>5,850,387</u>	<u>6,106,542</u>
<b>Net increase in cash and cash equivalents</b>	725,370	4,332,919
Cash and cash equivalents at 30 June 2018	4,644,389	311,470
<b>Cash and cash equivalents at 30 June 2019</b>	<u><u>5,369,759</u></u>	<u><u>4,644,389</u></u>

### ***Cash flows used in operating activities***

The majority of net cash flows used in operating activities relate to payments to employees, consultants and suppliers in connection with the development of the Vareš Project. Net cash used in operation activities increased to £2.0 million in 2019 to approximately £1.0 million in 2018 in line with the increase of exploration and evaluation activity at the Vareš Project.

### ***Cash flows used in investing activities***

Net cash used in investing activities increased to £3.1 million in 2019 from approximately £0.8 million in 2018, this increase predominately reflects the increase in capitalised expenditure on exploration and evaluation at the Company's Vareš Project.

### ***Cash flows generated from financing activities***

The key source of funding for the Group during the Historical Financial Review Period has been by way of equity financings. Cash flows generated from financing activities were approximately £5.9 million in 2019 and approximately £6.1 million in 2018, both predominately from equity financings during the respective periods.

## PART XIII

### CAPITALISATION AND INDEBTEDNESS

The table below sets out the audited cash and cash equivalents, indebtedness and capitalisation of the Group as at 30 June 2019.

	<b>30 Jun 2019</b>
	<b>£</b>
	<hr/>
<b><i>Total Current Debt</i></b>	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured	—
<b><i>Total Non-Current Debt</i></b>	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured	—
	<b>30 Jun 2019</b>
	<b>£</b>
	<hr/>
<b><i>Shareholder Equity</i></b>	
Share capital	2,013,701
Share premium	11,084,777
Other capital reserves	1,714,826
Other reserves	74,242
Retained deficit	(4,638,657)
	<hr/>
<b>Total Equity</b>	<b>10,248,889</b>
	<hr/>

As at the date of this prospectus, there has been no significant changes to the capitalisation of the Group since 30 June 2019, being the date of the Group's last published financial information, except for:

- A total of 1,850,000 Ordinary Shares of par value £0.013355 each were issued pursuant to the exercise of Options between August and December 2019;
- On 25 September 2019, 83,400 Ordinary Shares of par value £0.013355 each were issued to Sandfire Resources pursuant to their anti-dilution right; and
- On 29 October 2019, Adriatic announced a placement to raise A\$25,000,000 before expenses from the issue of 25,000,000 Ordinary Shares of par value £0.013355 each at an issue price of A\$1.00 per Ordinary Share, the Ordinary Shares were issued in three tranches on 6 November 2019, 14 November 2019 and 22 November 2019.

The following table shows the Group's net indebtedness as at 30 September 2019:

	<b>30 Sep 2019</b>
	<b>£</b>
A. Cash	3,695,142
B. Cash equivalent	—
C. Trading securities	—
<b>D. Liquidity (A) + (B) + (C)</b>	<b>3,695,142</b>
E. Current financial receivable	467,417
F. Current bank debt	—
G. Current portion of non-current debt	—
H. Other current financial debt	—
<b>I. Current Financial Debt (F) + (G) + (H)</b>	<b>—</b>
<b>J. Net Current Financial Indebtedness/(liquidity) (I) – (E) – (D)</b>	<b>(4,162,559)</b>
K. Non-current bank loans	—
L. Bonds issued	—
M. Other non-current loans	—
N. Non-current Financial Indebtedness (K) + (L) + (M)	—
<b>O. Net Financial Indebtedness (J) + (N)</b>	<b>(4,162,559)</b>

## PART XIV

### CREST, CHESS DEPOSITORY INTERESTS AND TAKEOVER CODE

#### Admission and dealings

It is expected that Admission will take place and dealings in the Ordinary Shares will commence on the London Stock Exchange at 8:00 a.m. on 12 December 2019. This date and time may be subject to change.

#### CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and it is expected that the Ordinary Shares will be admitted with effect from that time. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any investor so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain certificates for their Ordinary Shares will be able to do so. Shareholders may elect to receive Ordinary Shares in uncertificated form if such Shareholder is a system-member (as defined in the Regulations) in relation to CREST.

#### CHESS Depository Interests

CHESS (Clearing House Electronic Subregister System) is the computer system used by the ASX to record shareholdings and manage the settlement of share transactions. In connection with its ASX listing, the Company has established arrangements to enable interests in Ordinary Shares to be cleared and settled electronically through CHESS, utilising CHESS Depository Interests.

Where investors choose to settle interests in the Ordinary Shares through the CHESS system, and pursuant to the depository arrangements established by the Company, the Depository will hold the Ordinary Shares and issue dematerialised CDIs representing the underlying Ordinary Shares which will be held on trust for the holders of the CDIs. The CDIs are independent securities constituted under Australian law which may be held and transferred through the CHESS system. The Depository receives no fees for acting as the depository for the CDIs.

No share certificates will be issued to CDI holders. Shareholders should note that they cannot trade their Ordinary Shares on ASX without first converting their Ordinary Shares into CDIs.

Each Depository Interest will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depository will pass on to holders of Depository Interests any stock or cash benefits received by it as Shareholder on trust for such Depository Interest holder. Depository Interest holders, through the Depository, will also be able to receive notices of meetings of Shareholders and other notices issued by the Company to the Shareholders.

The Company operates a certificated principal register of Ordinary Shares in the United Kingdom, and in Australia a branch register of Ordinary Shares and an uncertificated issuer sponsored sub-register of CDIs and an uncertificated CHESS sub-register of CDIs. The Company's uncertificated issuer sponsored sub-register of CDIs and uncertificated CHESS sub-register of CDIs is maintained by the Australian Registrar. The branch register is the register of the legal title (and reflects legal ownership by the Depository of the Ordinary Shares underlying the CDIs. The two uncertificated sub-registers of CDIs combined makes up the register of beneficial title of the Ordinary Shares underlying the CDIs.

CDI holders may at any time convert their CDIs into Ordinary Shares by contacting the Australian Registrar or their CHESS participant (generally a stockbroker). Investors may also convert their Shares to CDIs, by contacting the Australian Registrar or the Registrar, or their stockbroker (or applicable CHESS participant).

The information included within this Part XIV relating to the obtaining and cancellation of CDIs by a holder is intended to be a summary only and is not to be construed as legal, business or tax advice. Each investor should consult his or her own lawyer, financial adviser, broker or tax adviser for legal, financial or tax advice in relation to CDIs.

## **Selling and distribution restrictions**

The Ordinary Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the US and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or in the US.

## **Transferability**

The Ordinary Shares are freely transferable and tradable and there are no restrictions on transfer.

## **TAKEOVER CODE**

As at the date of this Prospectus, the Company is not subject to the Takeover Code on account of the Company's place of central management and control being outside of the United Kingdom, Isle of Man and Channel Islands.

The Company's articles of association contain certain provisions which seek to replicate certain protections provided by the Takeover Code, although the Takeover Panel will have no responsibility or involvement in their enforcement. These provisions are summarised in paragraph 5 of Part XVII and shall apply only during such times as the Takeover Code does not apply to the Company.

The Company will be subject to the Takeover Code with effect from Admission.

Under the Takeover Code, where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which such person is already interested, and in which persons acting in concert with such person are interested) carry 30 per cent. or more of the voting rights of a company; or
- (b) any person who, together with persons acting in concert with such person, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with such person, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which such person is interested,

such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the Takeover Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Takeover Panel should be consulted in advance in such cases.

An offer under Rule 9 of the Takeover Code must be in cash and at the highest price paid for any interest in the shares by the person required to make an offer or any person acting in concert with such person during the 12 months prior to the announcement of the offer.

Under the Takeover Code, a 'concert party' arises where persons acting together pursuant to an agreement or understanding (whether formal or informal and whether or not in writing) actively co-operate, through an acquisition by them of an interest in shares in a company, to obtain or consolidate control of the company. 'Control' means holding, or aggregate holdings, of an interest in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

## PART XV

### TAXATION

#### United Kingdom taxation

The following statements are intended only as a general guide to current UK tax legislation and to the current practice (which may not be binding) of HMRC as at the date of this document (both of which may be subject to change at any time, possibly with retroactive effect). The statements are not exhaustive and relate only to certain limited aspects of the UK tax consequences of holding or disposing of Ordinary Shares.

The statements below may not apply to certain Shareholders in the Company, such as (but not limited to): traders, brokers, banks, tax exempt organisations, persons connected with the Company, persons holding shares as part of hedging or conversion transactions, holding investments in any HMRC approved arrangements or scheme, dealers in securities, insurance companies, collective investment schemes, pension schemes, Shareholders who are exempt from UK taxation, Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment or Shareholders who have acquired their Ordinary Shares other than for *bona fide* commercial reasons.

The statements below relate (except where stated otherwise) to persons who:

- are resident (and, in the case of individuals, domiciled) in (and only in) the UK for tax purposes;
- are beneficial owners of their Ordinary Shares and dividends paid in respect of them;
- hold (together with associates) less than 5 per cent. of the Ordinary Shares in the Company; and
- hold their Ordinary Shares as an investment (otherwise than through an individual savings account or a pension arrangement).

**The statements set out in the paragraphs below do not constitute tax or legal advice. Any person who is in any doubt as to their tax position, or who is resident or otherwise subject to taxation in any jurisdiction other than the UK, should consult their own professional advisers immediately.**

#### (a) Dividends

Under UK tax legislation, the Company is not required to withhold tax at source from any dividend payments it makes.

Individual Shareholders resident for tax purposes in the UK receive an annual dividend income tax-free allowance of £2,000 ("Nil Rate Amount") for tax year 2019/2020. Dividend income in excess of the Nil Rate Amount is taxed at the following rates:

- 7.5 per cent. to the extent that the dividend income falls within the basic rate band;
- 32.5 per cent. to the extent that the dividend income falls within the higher rate band; and
- 38.1 per cent. to the extent that the dividend income falls within the additional rate band.

"Dividend income" means UK and non-UK source dividends and certain other distributions in respect of shares.

In calculating the band into which any dividend income above the Nil Rate Amount falls, the individual Shareholder's total taxable dividend income for the tax year (including the amount of dividend income within the Nil Rate Amount) will be treated as the highest slice of the individual's income.

Dividends paid to UK resident trustees of a discretionary trust will be taxed at the dividend trusts rate of 38.1 per cent. to the extent the total income exceeds the £1,000 (and at 7.5 per cent. below that amount). Trustees of a discretionary trust do not benefit from the annual Nil Rate Amount allowance.

A UK resident corporate Shareholder will be liable to UK corporation tax unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is

anticipated that dividends should fall within one of such exempt classes (subject to anti-avoidance rules and provided all conditions are met). If the conditions for exemption are not, or cease to be, satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company at 19 per cent. (17 per cent. from 1 April 2020). Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

Non-UK resident Shareholders should not generally be subject to UK tax on their dividend receipts (whether via withholding or direct assessment) but may be subject to foreign taxation on dividend income under local law. Such shareholders should consult their own advisers concerning their tax liabilities on dividends received.

### **(b) Chargeable gains**

Shareholders who are resident in the UK for tax purposes and who dispose of their Ordinary Shares at a gain will ordinarily be liable to UK taxation on chargeable gains, subject to any available exemptions or reliefs. The gain will be calculated as the difference between the sale proceeds and any allowable costs and expenses, including the original acquisition cost of the Ordinary Shares.

Individual Shareholders (or Shareholders not otherwise within the charge to UK corporation tax) will generally be charged at 10 per cent. capital gains tax to the extent that the total chargeable gains and taxable income for the year (after allowable deductions) is less than the upper limit of the income tax basic rate band. To the extent that chargeable gains arising in a tax year exceed the upper limit of the basic rate band when aggregated with taxable income, then capital gains tax will be chargeable at 20 per cent. on the amount of that excess. Individual Shareholders receive an annual exempt allowance for capital gains tax purposes, which for tax year 2019/2020 provides for the first £12,000 of gains realised to fall outside the scope of tax. No indexation allowance will be available.

Individual Shareholders who are not resident in the UK for tax purposes but who carry on a trade, profession or vocation in the UK through a permanent establishment, branch, agency or fixed place of business in the UK may be liable to UK taxation on chargeable gains on a disposal of their Ordinary Shares, if those Ordinary Shares are or have been held, used or acquired for the purposes of that trade, profession or vocation or for the purposes of that permanent establishment, branch, agency or fixed place of business.

If an individual Shareholder ceases to be resident in the UK and subsequently disposes of Ordinary Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that Shareholder becoming once again resident in the UK.

Trustees and personal representatives resident in the UK disposing of Ordinary Shares will be taxed at 20 per cent., subject to any available reliefs or exemptions. Trustees and personal representatives receive an annual exempt amount for capital gains tax purposes, which for tax year 2019/2020 is £6,000.

Corporate Shareholders resident in the UK will be taxed to corporation tax on chargeable gains at 19 per cent. for tax year 2019/2020, subject to any available reliefs or exemptions. No indexation allowance will be available.

Corporate Shareholders carrying on a trade in the UK through a branch, agency or permanent establishment with which their investment is connected may be liable to UK taxation on chargeable gains on the disposal of their Ordinary Shares.

### **(c) Stamp duty and stamp duty reserve tax (“SDRT”)**

The statements below are intended as a general guide to the current position. The statements do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate.

The allocation and issue of Ordinary Shares will not give rise to a liability to stamp duty or SDRT. Any subsequent conveyance or transfer on sale of shares would usually be subject to stamp duty on any instrument of transfer at a rate of 0.5 per cent. of the amount or value of the consideration (rounded up, if necessary, to the nearest £5), subject to certain exemptions and reliefs. A charge to

SDRT at a rate of 0.5 per cent. would usually arise in relation to an unconditional agreement to transfer shares (where the SDRT charge is not cancelled by the execution of an instrument of transfer, within six years of the date of the agreement, and a corresponding payment of stamp duty).

## **Australian Taxation**

### *Australian taxation implications of acquiring Ordinary Shares or CDIs*

Adriatic is a company incorporated in the United Kingdom and registered as a foreign company in Australia and, as such, it would be treated as a foreign company for Australian taxation purposes. Adriatic's financial year ends on 30 June annually.

The following general taxation comments consider the Australian income tax, and Goods and Services Tax (GST) implications for Australian tax residents only. The tax implications for CDI holders relate to the receipt of dividends and potential gains on the disposal of CDIs. It is based on the Australian law, and the Commissioner of Taxation's interpretation of the law, as at the date of this Prospectus. This summary does not take into account or anticipate any changes in the law or practice that may occur.

The summary is general in nature. It does not deal with all aspects of Australian law that may be relevant to specific types of investors. The comments do not purport to provide tax advice to any particular investor and should not be relied upon as the tax position of each investor may vary depending on the specific circumstances of the investor. The Company recommends that each investor seek their own independent income tax advice based on their particular circumstances. All current or potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring CDIs.

To the maximum extent permitted by law, the Company, its officers, Directors, and each of their respective advisers accept no liability or responsibility with respect to the taxation consequences of acquiring or disposing of CDIs issued under this Prospectus.

## **Dividends**

Where Adriatic pays a dividend to an Australian tax resident CDI holder, the dividend should be included in the CDI holder's assessable income for the relevant year of income.

As the Company is a foreign company, there will not be franking credits attached to any dividend paid (i.e. no franked dividends).

## **Disposal of CDIs**

### *Profit-making intention*

Some CDI holders may hold CDIs on revenue rather than on capital account, for example, holders who acquire their CDIs as part of a business or with a view of profit such as share traders. Gains made on the disposal of CDIs by these CDI holders may be assessable as ordinary income for Australian taxation purposes. Correspondingly, any loss made on disposal may be deductible. In this scenario, the transaction would not be subject to the Capital Gains Tax (CGT) provisions and the general CGT discount concession would not be available. Each investor should seek independent advice as to whether the gain would be considered ordinary income.

## **CGT**

As a CDI is a CGT asset, an Australian resident CDI holder may make a capital gain or capital loss from the disposal of the CDIs.

As a general rule, where the capital proceeds on disposal of a CDI are greater than the CDI's cost base, the CDI holder will make a capital gain. Conversely, a CDI holder incurs a capital loss on the disposal of a CDI where the capital proceeds are less than the CDI's reduced cost base.

If a CDI holder incurs a capital loss, this loss can only be offset against capital gains recognised under the CGT rules in the current or future income years.

In the case of an arm's-length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of the CDIs.

The cost base of a CDI includes (calculated in AUS\$), among other things:

- I. The amount paid to acquire the CDI;
- II. Incidental costs in relation to the acquisition and disposal of the CDI; and
- III. The costs of ownership of the CDI (e.g. interest expenses on funds an investor borrows in order to acquire the CDI where the interest is not otherwise allowable as a tax deduction).

A CDI holder's reduced cost base in a CDI includes the amounts described in paragraphs (I) and (II), but not the amounts described in paragraph (III).

The CDI holder's cost base and reduced cost base may be reduced by the receipt of non-assessable distributions from the Company, if any.

If a CDI holder is an individual, trust or a complying superannuation fund, they may be entitled to the CGT discount if the CDI has been held for more than 12 months prior to the disposal. This concession means that a portion of any net capital gain made on sale is exempt from income tax, where the CDI holder has held those CDIs for more than 12 months. For individuals and trusts the percentage of the capital gain exempted is 50% and for complying superannuation funds that percentage is 33.33%. This concession is not available for foreign residents.

If a CDI holder is an Australian resident company which holds CDIs that carry at least 10% of the voting rights in the Company and these CDIs have been held for a period of at least 12 months, (beginning no earlier than 24 months prior to disposal), the CDI holder may be entitled to reduce any capital gain or capital loss arising from the disposal of the CDI by a percentage that reflects the degree to which the assets of the Company are used in an active business. Each corporate investor should seek independent advice as to whether this concession applies.

To the extent an amount would be included in a CDI holder's assessable income under both the CGT provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the CDI holder would not be subject to double tax on any part of the income gain or capital gain.

### **Anti-tax deferral provisions**

Australia has tax laws which, in certain circumstances, may attribute certain income of a controlled foreign company (CFC), which has not been comparably taxed offshore, to Australian resident investors on an accruals (not receipts) basis. In very broad terms, this CFC regime may apply where a foreign company is regarded as controlled by Australian residents. There are complex rules in determining whether a foreign company is controlled by Australian residents. The Company may be taken to be Australian controlled if, for example:

- I. five or fewer Australian resident entities (together with their associates) have 50% or more of the interests in the company; or
- II. the Company is controlled by five or fewer Australian resident entities either alone or together with its associates.

If the Company is a CFC, attribution can generally only occur where an Australian investor (together with their associates) holds at least a 10% interest in the Company, although in certain limited cases, attribution can occur where an Australian investor (together with their associates) is one of the entities mentioned above that controls the Company. The attributable income of a CFC is, in broad terms, calculated in accordance with Australian tax rules as if the foreign company were an Australian resident, subject to certain modifications. For listed countries, such as the UK, there are only limited categories of income that are included in the calculation of attributable income (e.g. all income and profits from a UK resident company that has elected to be taxed on a tonnage basis, capital gains in respect of shares in a company where a substantial shareholding exemption applies and passive income derived by a company classed as an open ended investment under UK law). Furthermore, where a CFC passes the active income test, the CFC should generally have no attributable income.

Whether or not the CFC accruals tax rules apply to an investor will depend on, among other things, the level of interest held by an Australian tax resident investor (and its associates) in the Company and the type of income derived by the company. Investors should discuss the application of the CFC provisions with their own professional tax adviser.

**Goods and Services Tax**

No GST should be payable on the acquisition or disposal of the CDIs. Further, no GST should be payable on the dividends paid.

## PART XVI

### CONSEQUENCES OF A STANDARD LISTING

Application will be made for the Ordinary Shares to be admitted to a Standard Listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. Listing Principles 1 and 2 as set out in Listing Rule 7.2.1 of the Listing Rules also apply to the Company, and the Company must comply with such Listing Principles. Premium Listing Principles 1 to 6 as set out in Listing Rule 7.2.1AR of the Listing Rules do not apply to the Company.

However, while the Company has a Standard Listing, it is not required to comply with the provisions of, *inter alia*:

- Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not and does not intend to appoint such a sponsor in connection with the Admission;
- Chapter 9 of the Listing Rules relating to the ongoing obligations for companies admitted to the Premium List, which therefore does not apply to the Company;
- Chapter 10 of the Listing Rules relating to significant transactions, which requires Shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares.; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

There are, however, a number of continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to the Company. These include requirements as to:

- the forwarding of circulars and other documentation to the UKLA for publication through the document viewing facility and related notification to a Regulatory Information Service;
- the provision of contact details of appropriate persons nominated to act as a first point of contact with the UKLA in relation to compliance with the Listing Rules and the Disclosure Guidance and Transparency Rules;
- the form and content of temporary and definitive documents of title;
- the appointment of a registrar;
- the making of Regulatory Information Service notifications in relation to a range of debt and equity capital issues; and
- at least 25 per cent. of the Ordinary Shares being held by the public in the EEA or the jurisdiction in which the Ordinary Shares are listed.

In addition, as a company whose securities are admitted to trading on a regulated market, the Company will be required to comply with MAR and the Disclosure Guidance and Transparency Rules.

**It should be noted that the FCA will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply. However, the FCA would be able to impose sanctions for non-compliance where the statements regarding compliance in this prospectus are themselves misleading, false or deceptive.**

#### ASX Listing Rules

As the Company has been admitted to the official list of the ASX, the Company is bound to comply with the ASX Listing Rules, as amended from time to time. The ASX Listing Rules address such

matters as admission to listing on the ASX, quotation of securities, continuous disclosure, periodic disclosure, certain requirements for terms of securities, issues of new capital, transfers of securities, disclosure of corporate governance practices, mining and exploration reporting requirements, escrow (lock-in) arrangements, transactions with related/ controlling parties, significant transactions, shareholder meetings, trading halts and suspensions and fees payable. The ASX also publishes guidance notes regarding the interpretation of the ASX Listing Rules.

The ASX Listing Rules and guidance notes can be found at [www.asx.com.au](http://www.asx.com.au).

## PART XVII

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Directors, whose names appear on page 20, and the Company accept responsibility for the information contained in this prospectus. To the best of the knowledge of the Directors and the Company, the information contained in this prospectus is in accordance with the facts and the prospectus makes no omission likely to affect its import.

#### 2. THE COMPANY

- 2.1. The Company was incorporated on 3 February 2017 as a private company with limited liability under the Companies Act with the name Adriatic Metals Limited under company number 10599833. The Company re-registered as a public company on 14 February 2018 with the name Adriatic Metals Plc.
- 2.2. The Company is not regulated by the FCA or any financial services or other regulator other than ASIC in relation to its ASX listing. With effect from Admission, the Company will be subject to the Listing Rules and the Disclosure Guidance and Transparency Rules (and the resulting jurisdiction of the FCA), to the extent such rules apply to companies with a Standard Listing pursuant to Chapter 14 of the Listing Rules. In addition, the Company will remain subject to the ASX Listing Rules and the Corporations Act in relation to its ASX listing.
- 2.3. The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been created, is the Companies Act and the regulations made thereunder.
- 2.4. The Company is operating in conformity with its constitution.
- 2.5. The Company's registered office is at Stamford House, Regent Street, Cheltenham, Gloucestershire, England, GL50 1HN. The Company's telephone number is +44 (0) 20 7993 006. The Company's website is [www.adriaticmetals.com](http://www.adriaticmetals.com). Information that is on the Company's website does not form part of the prospectus and has not been scrutinised or approved by the FCA unless that information is expressly incorporated by reference to this prospectus.
- 2.6. The Company's Australian Registered Body Number is 624 103 162.

#### 3. SHARE CAPITAL OF THE COMPANY

- 3.1. The following table shows the issued and fully paid shares of the Company at the Last Practicable Date:

<b>Class</b>	<b>Number</b>	<b>Amount paid</b>
Ordinary Shares	177,715,987	£27,611,929

- 3.2. The issued and fully paid shares of the Company immediately following Admission shall be shown in the following table:

<b>Class</b>	<b>Number</b>	<b>Amount paid</b>
Ordinary Shares	177,715,987	£27,611,929

- 3.3. The Company has only Ordinary Shares in issue and no shares which do not represent capital.
- 3.4. No Ordinary Shares are held by or on behalf of the Company (in treasury or otherwise) or by any subsidiary of the Company.

- 3.5. On incorporation of the Company, Paul Cronin and Rebecca Cronin each subscribed for 10 ordinary shares of nominal value £0.0005 in the capital of the Company at a price of £0.01 per share.
- 3.6. During the period commencing on incorporation and ending on the Last Practicable Date, the following changes to the Company's issued share capital have taken place:

<b>Date</b>	<b>Change to issued share capital</b>	<b>Issue price per Ordinary Share</b>
<i>Period from incorporation to 30 June 2017:</i>		
10 February 2017	Allotment of 12,000,000 Ordinary Shares of £0.05342 each	£0.05342
13 February 2017	Cancellation of 20 Ordinary Shares of £0.0005 each	N/A
24 April 2017	Allotment of 4,057,036 Ordinary Shares of £0.05342 each	£0.15
1 July 2017	Allotment of 100,000 Ordinary Shares of £0.05342 each	£0.15
<i>Balance as at 30 June 2017: 16,057,036 Ordinary Shares of £0.05342 each.</i>		
<i>Period from 1 July 2017 to 30 June 2018:</i>		
1 October 2017	Allotment of 3,641,863 Ordinary Shares of £0.05342 each	£0.30
30 January 2018	Subdivision of Ordinary Shares from nominal value £0.05342 to £0.013355	N/A
27 April 2018	Allotment of 51,600,000 Ordinary Shares of £0.013355 each in connection with listing on the ASX	A\$0.20
<i>Balance as at 30 June 2018: 130,795,596 Ordinary Shares of £0.013355 each.</i>		
<i>Period from 1 July 2018 to 30 June 2019:</i>		
20 November 2018	Allotment of 19,686,991 Ordinary Shares of £0.013355 each	A\$0.55
15 April 2019	Exercise of options over 100,000 Ordinary Shares of £0.013355 each	A\$0.40
24 April 2019	Exercise of options over 100,000 Ordinary Shares of £0.013355 each	A\$0.40
3 May 2019	Exercise of options over 100,000 Ordinary Shares of £0.013355 each	A\$0.40
<i>Balance as at 30 June 2019: 150,782,587 Ordinary Shares of £0.013355</i>		
<i>Period from 1 July 2019 to Last Practicable Date:</i>		
9 August 2019	Exercise of options over 500,000 Ordinary Shares of £0.013355 each	A\$0.40
25 September 2019	Allotment of 83,400 Ordinary Shares of £0.013355 each	A\$0.933
30 October 2019	Exercise of options over 1,250,000 Ordinary Shares of £0.013355 each	A\$0.40
6 November 2019	Allotment of 10,878,508 Ordinary Shares of £0.013355 each, being tranche 1 of two-tranche placement to institutional investors	A\$1.00
13 November 2019	Allotment of 9,121,492 Ordinary Shares of £0.013355 each, being the first of two settlements of tranche 2 of two-tranche placement	A\$1.00
22 November 2019	Allotment of 5,000,000 Ordinary Shares of £0.013355 each, being a deferred settlement of tranche 2 of the two-tranche placement	A\$1.00
2 December 2019	Exercise of options over 100,000 Ordinary Shares of £0.013355 each	A\$0.40

- 3.7. Other than the Options described in paragraph 17.3 and 15.13 of this Part XVII, no person has any option nor has the Company agreed conditionally or unconditionally to grant any option over any Ordinary Shares.

- 3.8. Pursuant to a resolution of the Shareholders passed at the AGM of the Company convened and held on 8 November 2019:
- (a) the Directors were authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any securities into shares in the Company (“**Relevant Securities**”) up to an aggregate nominal amount of £673,830 (representing 50,455,260 new equity securities in the Company);
  - (b) the Directors were empowered in accordance with section 570 of the Companies Act to allot equity securities (as defined in section 560 of the Companies Act) of the Company for cash pursuant to the general authorities conferred on them by the resolution referred to at (a) above as if section 561(1) of the Companies Act did not apply to any such allotment, provided that such power is limited to:
    - (i) the allotment of equity securities in connection with a rights issue or any other offer to holders of ordinary shares in proportion (as nearly as practicable) to their respective holdings and to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors seem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and
    - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £551,840 (representing 41,320,853 new equity securities in the Company);provided that the authority or power detailed in paragraphs (a) and (b) above, shall expire at the conclusion of the AGM to be held in 2020, or if earlier, 15 months from the date of passing of the resolution save that that the Company may, before such expiry, make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power or authority conferred had not expired.
- 3.9. The Company’s collaboration and partnership deed with Sandfire Resources contains an anti-dilution right which entitles Sandfire Resources to participate in any offer of securities or any issue of securities on conversion or exercise of any equity securities by the Company up to the amount necessary to ensure that Sandfire Resources interest in the Company’s securities immediately prior to the completion of such offer or issue of securities is maintained, provided that Sandfire Resources’s participation is for cash consideration that is: (a) no more favourable than the cash consideration paid by third parties; or (b) equivalent in value to a non-cash consideration offer by third parties. The anti-dilution right shall cease to apply on the earlier to occur of Sandfire Resources’s interest in the Company’s securities: (a) falling below 7.70 per cent. of the Company’s issued ordinary share capital (other than as a result of the offer or issue of securities to which the anti-dilution right applies); and (b) increasing to more than 19.99 per cent. of the Company’s issued ordinary share capital. Further particulars of the Company’s collaboration and partnership deed with Sandfire Resources is set out in paragraph 15.8 of this Part XVII.
- 3.10. Save as disclosed in this prospectus:
- (a) no Ordinary Share or loan capital of the Company has been issued or is proposed to be issued;
  - (b) no person has any preferential subscription rights for any Ordinary Shares in the Company;
  - (c) no Ordinary Share or loan capital of the Company is unconditionally to be put under option;
  - (d) no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company; and

- (e) the Ordinary Shares are freely transferrable.
- 3.11. All Ordinary Shares in the capital of the Company are in registered form and may be held in either certificated form or uncertificated form (in CREST or by way of CHESS Depository Interests).
- 3.12. The Ordinary Shares will be admitted to a Standard Listing on the Official List and traded on the Main Market of the London Stock Exchange. The Ordinary Shares are currently listed on the ASX, however, the Ordinary Shares are not listed or traded on, and no application has been or is being made for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market.

#### **4. ARTICLES**

- 4.1. The Articles of the Company were adopted by a special resolution of the Shareholders passed at the AGM convened and held on 8 November 2019. A summary of the terms of the Articles is set out below. The summary below is not a complete copy of the terms of the Articles.
- 4.2. The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of section 31(1) of the Companies Act, the Company's objects are unrestricted.
- 4.3. The Articles contain, *inter alia*, provisions to the following effect:
  - (a) Limited Liability  
The liability of the members of the Company is limited to the amount, if any, unpaid on the shares held by them.
  - (b) Share capital  
Subject to the provisions of the Companies Act and the Articles, the Board shall have unconditional authority to allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of any shares or rights to subscribe for or convert any security into shares to such persons (including directors) at such times and generally on such terms and conditions as the Board may determine.
  - (c) Voting  
Subject to any rights and restrictions attached to shares, on a vote on a resolution on a show of hands at a meeting, every member (being an individual) present in person or by proxy shall have one vote, and on a poll every member shall have one vote for every share of which he is a holder. In the case of joint holders of a share if two or more persons hold a share jointly, the vote of the senior shareholder, shall be accepted to the exclusion of the other joint holders and for this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
  - (d) Variation of rights  
Subject to the provisions of the Companies Act and the ASX Listing Rules, the rights attached to any class of share in issue may be (unless otherwise provided by the rights attaching to the shares of that class) varied or abrogated, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise).
  - (e) Alteration of capital  
A resolution authorising the Company to sub-divide its shares may also determine that, as between the shares resulting from such sub-division, any of them may have any preference or other advantage or deferred or qualified rights or be subject to any restriction as compared with the others.

(f) Transfer of shares

A share held in certificated form must be transferred in writing in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system (as defined in the uncertificated securities rules) in which the operator of the relevant system has permitted the shares or securities of the Company (or the relevant shares or securities) to be transferred. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the register as its holder.

The Board may refuse to register a transfer of shares held in certificated form if:

- (i) the shares are not fully paid up (unless any of the class of shares which are not fully paid up are admitted to trading on a recognised investment exchange, in which case the Board is not entitled to refuse to register the transfer);
- (ii) it is in respect of more than one class of share;
- (iii) it is not duly stamped or is not duly certified or shown to be exempt from stamp duty;
- (iv) it is not delivered for registration to the Company registered office, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the transfer is signed by some other person on his behalf, the authority of that person to do so.

The Board may also refuse to register any transfer of shares which is in favour of a child, a bankrupt, a person of unsound mind or in favour of more than four joint allottees or transferees.

(g) Restricted Securities

The Company is required to comply with the requirements of the ASX Listing Rules with respect to Restricted Securities (as defined in the ASX Listing Rules), including but not limited to the following:

- (i) a holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the Restricted Securities during the escrow period applicable to those securities except as permitted by the ASX Listing Rules or ASX;
- (ii) If the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those securities;
- (iii) the Company will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those securities except as permitted by the ASX Listing Rules or ASX;
- (iv) a holder of Restricted Securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those securities except as permitted by the ASX Listing Rules or ASX; and
- (v) if a holder of Restricted Securities breaches a restriction deed or a provision of the Articles restricting a disposal of those securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those securities for so long as the breach continues.

(h) Dividends

Subject to the provisions of the Companies Act and of the Articles, the Company may by ordinary resolution declare a dividend to be paid to the shareholders according to their respective rights and interests in the profits of the Company, but no dividend shall

exceed the amount recommended by the Board. Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes of share, the Board may pay interim dividends on shares which confer non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, unless at the time of payment any preferential dividend is in arrears.

(i) Winding Up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be other than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 111 of the Insolvency Act 1986. The liquidator may, with the same authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the same authority determines, but no member shall be distributed assets upon which there is a liability or potential liability (without consent of the member concerned).

(j) Untraced Shareholders

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a member or the shares to which a person is entitled by virtue of transmission on death or if and provided that (i) for a period of twelve years, no cheque, warrant or money order sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the register or (if different) the last known address given by the member or the person so entitled to which cheques and warrants are to be sent has been cashed, each attempt to make a payment to such member or person have been returned to the Company and no communication has been received by the Company from the member or the person so entitled, (ii) in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares, (iii) the Company has at the expiration of the said period of twelve years by advertisement in both a national newspaper published in the United Kingdom and in a newspaper circulating in the area in which the address at which services of notices may be effected under the Articles is located, given notice of its intention to sell such shares (and no communication is received for a period of three months following the last of such advertisements), and (iv) notice has been given to the ASX of the Company's intention to make such sale, if shares of the class concerned are listed or dealt on that exchange.

(k) Directors

Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than 2, but there shall be no maximum number of Directors.

Subject to the Articles and the Companies Act, the Company may by ordinary resolution appoint a person who is willing to act as a Director and the Board shall have power at any time to appoint any person who is willing to act as a Director, in both cases either to fill a vacancy or as an addition to the existing Board.

At each AGM of the Company, one third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office but so that, if there are fewer than three directors who are subject to retirement by rotation, one shall retire from office.

In addition to this, there shall also be required to retire by rotation any director who at an AGM of the Company shall have been a director at each of the preceding two AGMs of the Company, provided that:

- (i) he was not appointed or reappointed at either such AGM; and
- (ii) he has not otherwise ceased to be a director (whether by resignation, retirement, removal or otherwise) and been reappointed by general meeting of the Company at or since either such AGM.

Subject to the provisions of the Articles, the Board may regulate their proceedings as they think fit. A Director may, and the secretary at the request of a Director shall, call a meeting of the Directors.

The quorum for a Directors' meeting shall be determined by a decision of the Directors, and until otherwise fixed, it is two.

Questions and matters requiring resolution arising at a meeting shall be decided by a majority of votes of the participating Directors. In the case of an equality of votes, the chair will have a casting vote or second vote.

Unless otherwise determined by the Company by ordinary resolution, the Directors (who do not hold executive office) shall be entitled to receive such remuneration as the Directors shall determine for their services to the Company as directors provided that the aggregate fees payable to the Directors must not exceed A\$400,000 per annum (or such higher amount as may be approved pursuant to a resolution passed at a general meeting).

Any Director who does not hold executive office who serves on a committee or who devotes special attention to the business of the Company or otherwise performs any additional services on behalf of the Company outside the scope of the ordinary duties of a director (in the opinion of the board) may be paid reasonable additional remuneration for such services.

The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in connection with the performance of their duties as a Director, including attendance at meetings of shareholders or class meetings, board or committee meetings.

The Board may, in accordance with the requirements in the Articles, authorise any matter proposed to them by any Director which would, if not authorised, involve a Director breaching their duty under the Companies Act to avoid conflicts of interests.

A Director seeking authorisation in respect of such conflict shall declare to the Board the nature and extent of their interest in a conflict.

Any authorisation by the Board will be effective only if:

- (i) any requirement as to the quorum for consideration of the relevant matter is met without counting the conflicted Director and any other conflicted Director; and
- (ii) the matter is agreed to without the conflicted Director voting or would be agreed to if the conflicted Director's and any other interested Director's vote is not counted.

To the extent permitted by the Companies Act, a Director is entitled to be indemnified against all liability.

(I) General Meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chair of the meeting which shall not be treated as part of the business of the meeting. Two shareholders present in person or by proxy and entitled to vote shall be a quorum for all purposes.

- (m) **Borrowing powers**  
Subject to the Companies Act, the Board may exercise all of the powers of the Company to:
- (i) to borrow money;
  - (ii) to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled share capital of the Company;
  - (iii) to issue debentures and other securities; and
  - (iv) to give security, either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- (n) **Capitalisation of Profits**  
The Board may, if they are so authorised by an ordinary resolution of the Company, decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of any other reserve of the Company (including any share premium account, capital redemption reserve or other non-distributable reserve). The Directors may also, subject to the aforementioned ordinary resolution, appropriate any sum which they so decide to capitalise to the persons who would have been entitled to it if it were distributed by way of dividend and in the same proportions.
- (o) **Uncertificated Shares**  
Subject always to the uncertificated securities rules and to the facilities and requirements of the relevant system concerned, the Board may resolve that any class of shares can be held in uncertificated form and that title to such shares may be transferred by means of a relevant system; and the Board may make arrangements for any class of shares to be held and transferred in this form. The Board may also resolve that shares of any class must cease to be held and transferred in uncertificated form.
- (p) **Disclosure of Interests in Shares**  
If a disclosure notice has been issued under section 793 of Companies Act and the Shareholder or any other person appears to be interested in the specified shares have failed to give the Company the information required by that notice within the prescribed time period, then subject to obtaining a judgement of a competent court and unless the Board determines otherwise:
- (i) the Shareholder shall not be entitled to vote any of his shares;
  - (ii) in circumstances where the holding represents at least 25% of the nominal value of the shares of their class (excluding any shares held in treasury), the payment of dividends shall be withheld and such holder shall not be entitled to transfer such shares (save for an excepted transfer and subject to the requirements of the relevant system in relation to shares in uncertificated form).
- (q) **ASX Listing Rules**  
At such times as the Company is listed on the ASX, if the ASX Listing Rules:
- (i) prohibit an act being done, the Company shall not take that act;
  - (ii) require an act to be done, nothing in the Articles will prevent that act being done and authority is deemed given for such act;
  - (iii) require that the Articles contain/do not contain a particular provision, that provision is deemed removed/included (respectively); and
  - (iv) are inconsistent with any provision of the Articles, the Articles are deemed not to contain the provision to the extent that it is inconsistent.
- (r) **Takeover Provisions**  
Certain protections which are similar to those provisions of the Takeover Code are incorporated, including (amongst others) the following:

- (i) If:
- any member (or person acting in concert with such member) acquires, whether in a single transaction or by a series of transactions over a period of time, an interest in shares which (taken together with shares in which such member or persons acting in concert with such members are interested) carry 30 per cent, or more of the voting rights of the Company; or
  - any member, together with persons acting in concert with such member, is interested in shares which in the aggregate carry not less than 30 per cent of the voting rights of the Company but does not hold shares carrying more than 50 per cent of such voting rights and such member, or any person acting in concert with such member, acquires an interest in other shares which increases the percentage of shares of the Company carrying voting rights in which he is interested (the “**Limit**”);  
  
such member (the “**Offeror**”) shall extend an offer, to the holders of all the issued (and to be issued) shares in the Company. An offer will not be required where control of the Company is acquired as a result of a voluntary offer made materially in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company) to all holders of shares.
- (ii) An offer must be conditional only upon the Offeror having receiving acceptances in respect of shares which, together with shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holdings shares carrying more than 50 per cent of the voting rights of the Company.
- (iii) An offer must be in cash or accompanied by a cash alternative at not less than the highest price paid by the Offeror or any person acting in concert with it for any interest in shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. If, after the obligation to make an offer pursuant to the Articles arises and before the offer closes for acceptance, the Offeror or any person acting in concert with it acquires any interest in shares at above the offer price, it shall increase its offer to not less than the highest price paid for the interest in shares so acquired.
- (iv) When an offer is made and the Company has convertible securities outstanding, the Offeror must make an appropriate offer or proposal, on terms equivalent to the offer made for shares, to the holders of such convertible securities to ensure that their interests are safeguarded.
- (v) At all times when the Company is in an offer period each member shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.
- (vi) The Board has full authority as to whether to deem the Takeover Code applicable (whether in whole or in part). This authority shall include all discretion vested in the Takeover Panel as if the Takeover Code applied to the Company including, without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control.
- (vii) An acquisition of a share of the Company in excess of the Limit is permitted only if:
- the Board consents to the acquisition of such share; or
  - the acquisition of the share(s) is in accordance with the procedure set out in at (p)(ii) above; or
  - the acquisition of the share arises from repayment of a stock-borrowing arrangement (on arm’s length commercial terms); or

- a person breaches the Limit only as a result of holding the interest/share as nominee, as custodian/nominee of such a custodian or as a depositary/nominee of such depositary.
- (viii) An acquisition of a share in the Company or any interest therein is a “Prohibited Acquisition” if rules 4, 5, 6, 8 or 11 of the Takeover Code would in whole or part apply to the acquisition of such share or interest if the Company were subject to the Takeover Code and the acquisition of such share or interest were made (or, if not yet made, would if and when made be) in breach of or otherwise would not comply with rules 4, 5, 6, 8 or 11 of the Takeover Code.
- (ix) In the event that the Board believes that the Limit has or may be breached or a Prohibited Acquisition has or may be effected, the Board has discretion to (amongst other items) determine the “Excess Shares” (being those held in breach of the Articles) non-voting, be sold to a third party, do not carry the right to any dividends. However, these remedies can only be exercised by the Board if a judgement has been obtained from a competent court that a breach of the abovementioned relevant Articles has occurred. The Company can only act in accordance with such judgement including with respect to the remedies available.

## 5. OTHER RELEVANT LAWS AND REGULATIONS

### 5.1. Mandatory bid

- (a) Takeover Code will apply to the Company with effect from Admission. Under the Takeover Code, where:
- (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which such person is already interested, and in which persons acting in concert with such person are interested) carry 30% or more of the voting rights of a company; or
  - (ii) any person who, together with persons acting in concert with such person, is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company but does not hold shares carrying more than 50% of such voting rights and such person, or any person acting in concert with such person, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which such person is interested,
- such person shall, except in limited circumstances, be obliged to extend offers, on the basis set out in Rules 9.3, 9.4 and 9.5 of the Takeover Code, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights. Offers for different classes of equity share capital must be comparable; the Takeover Panel should be consulted in advance in such cases.
- (b) An offer under Rule 9 of the Takeover Code must be in cash and at the highest price paid for any interest in the shares by the person required to make an offer or any person acting in concert with such person during the 12 months prior to the announcement of the offer.
- (c) Under the Takeover Code, a ‘concert party’ arises where persons acting together pursuant to an agreement or understanding (whether formal or informal and whether or not in writing) actively co-operate, through an acquisition by them of an interest in shares in a company, to obtain or consolidate control of the company. ‘Control’ means holding, or aggregate holdings, of an interest in shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

### 5.2. Squeeze-out

- (a) Under sections 979 to 982 of the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares, provided that no such notice may be served

after the end of: (a) the period of three months beginning with the day after the last day on which the offer can be accepted; or (b) if earlier, and the offer is not one to which section 943(1) of the Companies Act applies, the period of six months beginning with the date of the offer.

- (b) Six weeks following service of the notice, the offeror must send a copy of it to the Company together with the consideration for the Ordinary Shares to which the notice relates, and an instrument of transfer executed on behalf of the outstanding Shareholder(s) by a person appointed by the offeror.
- (c) The Company will hold the consideration on trust for the outstanding Shareholders.

### 5.3. **Sell-out**

- (a) Sections 983 to 985 of the Companies Act also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relating to all the Ordinary Shares is made at any time before the end of the period within which the offer could be accepted and the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any Shareholder notice of their right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period, or, if longer a period of three months from the date of the notice.
- (b) If a Shareholder exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

### 5.4. **Shareholder notification and disclosure requirements**

- (a) Shareholders are obliged to comply with the shareholding notification and disclosure requirements set out in Chapter 5 of the DTRs. A Shareholder is required pursuant to Rule 5 of the DTRs to notify the Company if, as a result of an acquisition or disposal of shares or financial instruments, the Shareholder's percentage of voting rights of the Company reaches, exceeds or falls below, three per cent. of the nominal value of the Company's share capital or any one per cent. threshold above that.
- (b) The DTRs can be accessed and downloaded from the FCA's website at <http://fshandbook.info/FS/html/FCA/DTR>. Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make a required disclosure to the Company may result in disenfranchisement.
- (c) The Company is not subject to chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Cth) dealing with the acquisition of its shares (including substantial holdings disclosures and takeovers regulation in Australia

### 5.5. **ASX Disclosure requirements**

#### *Periodic disclosure*

- (a) The Corporations Act and ASX Listing Rules set out the periodic disclosure requirements that apply to the Company. For example, the Company must prepare and lodge half-year and full-year financial reports, and must prepare and lodge an annual report to Shareholders.
- (b) In addition, as the Company is currently a mining exploration entity for the purposes of the ASX Listing Rules, it must prepare and lodge quarterly reports with the ASX setting out the information required in the ASX Listing Rules, including for the Company and its child entities on a consolidated basis (among other disclosures):
  - (i) A quarterly cash flow report.
  - (ii) Details of its mining exploration activities for the quarter, including any material developments or material changes in those activities, and a summary of the expenditure incurred on those activities. If there were no substantive mining exploration activities during the quarter, that fact must be stated.

- (iii) Details of its mining production and development activities for the quarter and a summary of the expenditure incurred on those activities. If there were no substantive mining production and development activities during the quarter, that fact must be stated.
- (iv) Details of:
  - (A) any mining tenements acquired or disposed of during the quarter and their location;
  - (B) the mining tenements held at the end of the quarter and their location;
  - (C) any farm-in or farm-out agreements it entered into during the quarter; and
  - (D) the beneficial percentage interests it held at the end of the quarter in farm-in or farm-out agreements.

#### *Continuous disclosure*

- (a) Pursuant to the ASX Listing Rules, once the Company is aware or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities, the Company must immediately announce that information to the ASX (under ASX Listing Rule 3.1), subject to the limited exception outlined below.
- (b) Immediate disclosure under ASX Listing Rule 3.1 can only be delayed under ASX Listing Rule 3.1A if each of the following is satisfied:
  - (i) a reasonable person would not expect the information to be disclosed; and
  - (ii) the information is confidential and ASX has not formed the view that the information has ceased to be confidential; and
  - (iii) one or more of the following applies: (1) it would be a breach of a law to disclose the information; (2) the information concerns an incomplete proposal or negotiation; (3) the information comprises matters of supposition or is insufficiently definite to warrant disclosure; (4) the information is generated for internal management purposes of the Company; or (5) the information is a "trade secret."

#### *Disclosure in relation to false markets*

ASX Listing Rule 3.1B provides that if ASX considers that there is or is likely to be a false market in an entity's securities and ASX asks the entity to give it information to correct or prevent a false market, the entity must immediately give ASX that information.

#### *Information must be given to ASX first*

ASX Listing Rule 15.7 requires that an entity must not release information that is for release to the market to anyone until it has given the information to ASX, and has received an acknowledgement from ASX that the information has been released to the market. However, in accordance with ASX Listing Rule 15.7.1, for dual listed companies, where the company becomes aware of information outside of the operating hours of the ASX market announcements office and where it is required to release that information on an overseas exchange, the company is permitted to do so provided that it gives the information to the ASX Market Announcements Office at the same time, together with written advice that the information has been released to the overseas exchange.

#### *JORC Code*

In addition, the Company is subject to the JORC Code, a set of minimum standards, recommendations and guidelines defined by the Australasian Joint Ore Reserves Committee, which is sponsored by the Australian mining industry and its professional organisations. The JORC Code covers public reporting of exploration results, mineral resources and ore reserves. The ASX Listing Rules require entities which are listed on the ASX (including the Company) to comply with the JORC Code. Disclosure under the JORC Code is governed by the principles of transparency, materiality and competence. The materiality principle requires disclosure of all the relevant information that investors and their

professional advisers would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement. The competence principle requires disclosure on exploration targets, exploration results, mineral resources and ore reserves to be based on, and fairly reflect, the information and supporting documentation prepared by a “competent person”. A competent person must have a minimum of 5 years relevant experience and be a member of an appropriate professional organisation. The JORC Code does not specify an amount, type or quality of exploration or other work required to be done before a competent person assesses and estimates a Mineral Resource or Ore Reserve.

#### 5.6. ASX Restricted Securities

Under Chapter 9 the ASX Listing Rules, companies seeking to be admitted to the Australian official list for the first time as an ASX Listing must comply with those requirements in relation to any securities that under the ASX Listing Rules are, or are required to be, restricted securities (as such term is defined in the ASX Listing Rules). ASX may determine that securities issued to certain related parties, promoters, professional advisers and seed capital investors shall have mandatory escrow restrictions placed on them for up to 24 months from the date of first listing. In addition, securities which are issued by an already ASX listed entity (such as the Company) to certain vendors of certain assets which cannot readily be valued may be classified as restricted securities for a period of twelve months from their issue. The effect of the escrow restrictions is, among other things, to prohibit the holder from disposing of, or agreeing or offering to dispose of, their restricted securities except as permitted by the ASX Listing Rules or by ASX. Once in place, ASX escrow cannot be varied or terminated except with a waiver from ASX. The escrow restrictions are further underpinned by provisions that must (in accordance with ASX Listing Rules 9.1(a) and 15.12) be included in the company’s constitution while it has restricted securities in issue. The company must not amend or remove any of these constitutional provisions while it has any restricted securities in issue unless ASX agrees in writing. A summary of the provisions contained in the Company’s Articles in compliance with ASX Listing Rules 9.1(a) and 15.12 are set out in paragraph 4.3(g), above.

The table below sets out, at the Last Practicable Date, those securities of the Company held by each Director (or their spouse) which are subject to the ASX’s mandatory escrow restrictions and are therefore classified as restricted securities for the purposes of the ASX Listing Rules.

<b>Name of holder</b>	<b>No. of Ordinary Shares</b>	<b>No. of Options</b>	<b>Escrow Expiry</b>
Paul Cronin	7,271,835	2,500,000	1 May 2020
Rebecca Cronin	7,435,817	2,500,000	1 May 2020
Peter Bilbe	—	1,500,000	1 May 2020
Julian Barnes	—	1,000,000	1 May 2020
Milos Bosnjakovic	16,000,000	1,000,000	1 May 2020

As at the Last Practicable Date 47,846,088 Ordinary Shares (representing, in aggregate 27 per cent. of the Issued Share Capital) and 14,500,000 Options are classified as restricted securities. Each holder of restricted securities has entered into an escrow agreement in the standard form with the ASX. The escrow period will expire on 1 May 2020.

## 6. DIRECTORS', SENIOR MANAGERS' AND OTHER INTERESTS

6.1. The Ordinary Shares held by the Directors and the Senior Managers (all of which are held beneficially unless otherwise stated) as at the Last Practicable Date are as follows:

Name	No. of Ordinary Shares	Percentage of Issued Ordinary Shares
Peter Bilbe <sup>(1)</sup>	250,000	0.14%
Paul Cronin <sup>(2)</sup>	16,851,332	9.48%
Julian Barnes	—	—
Milos Bosnjakovic	16,000,000	9.00%
Michael Rawlinson	40,000	0.02%
John Richards	—	—
Sandra Bates	—	—
Sean Duffy	—	—
Gabriel Chiappini	50,000	0.03%

Notes:

(1) Held jointly by Peter Bilbe and Janet Bilbe (spouse of Mr Bilbe) in superannuation fund, PR&JC Bilbe Super Fund.

(2) Includes 8,425,664 Ordinary Shares held by Rebecca Cronin, spouse of Mr Cronin.

6.2. Details of Options and Performance Rights held by Directors and Senior Managers are set out in paragraph 17.3 below. Save as set out in that paragraph and paragraph 6.1 above, none of the Directors or Senior Managers holds Ordinary Shares or options in respect of Ordinary Shares.

## 7. INFORMATION ON THE DIRECTORS AND SENIOR MANAGERS

7.1. The Directors and the Senior Managers have not held any directorships of any company (other than the Company and its subsidiary) or partnerships within the last five years, except as set forth below:

### Directors

Peter Ross Bilbe

#### Current

Horizon Minerals Ltd  
Independence Group NL

#### Past

Northern Iron Ltd

Paul Cronin

#### Current

Black Dragon Gold Corp.  
Global Atomic Corp.  
Swellcap Limited

#### Past

Anatolia Energy Limited

Julian Barnes

#### Current

Thor Explorations Limited  
Zinc of Ireland NL  
RSG SRL

#### Past

Michael Rawlinson	
<b>Current</b>	<b>Past</b>
Capital Drilling Limited Hochschild Mining Plc Neighbrook Estates (partnership) Neighbrook Consulting (partnership)	
Milos Bosnjakovic	
<b>Current</b>	<b>Past</b>
La Mir Doo Podgorica Eastern Mining Doo Sarajevo	MBL Construction Pty Ltd North Mining Doo Podgorica
John Richards	
<b>Current</b>	<b>Past</b>
Saracen Mineral Holdings Ltd Sheffield Resources Ltd J Richards Pty Ltd Fluvium Capital Pty Ltd	Latitude Consolidated Ltd
Sandra Bates	
<b>Current</b>	<b>Past</b>
Fladgate LLP	Stikeman Elliot LLP Pillsbury Winthrop Shaw Pittman LLP
<b>Senior Managers</b>	
Graham Hill	
<b>Current</b>	<b>Past</b>
Shamrock Consulting Ltd	Silver Bear Resources
Sean Duffy	
<b>Current</b>	<b>Past</b>
Gumtree Management Services Limited	
Gabriel Chiappini	
<b>Current</b>	<b>Past</b>
Laurus Corporate Services Pty Ltd Black Rock Mining Ltd Invictus Energy Ltd Eneabba Gas Ltd	Fastbrick Robotics Ltd
Adnan Teletovic	
<b>Current</b>	<b>Past</b>
TFK Trading Pty Ltd	Optimal Property Solutions d.o.o BiH

- 7.2. From November 2007 to May 2016, Peter Bilbe was a director of Northern Iron Ltd (“NFE”), an ASX-listed iron ore exploration and production company. NFE’s principal activities were production of magnetite iron concentrate at the Sydvaranger Iron Project in Kirkenes, Northern Norway, via its wholly-owned Norwegian subsidiary Sydvaranger Gruve AS (“SVG”). During 2014 and 2015, the iron ore price declined substantially, which had a

significant adverse impact on SVG's revenue and working capital position, ultimately leading to the withdrawal of ongoing support from SVG's lenders. On 18 November 2015, the board of SVG filed for bankruptcy under Norwegian law and the bankruptcy administrator placed the Sydvaranger Iron Project into care and maintenance, and subsequently undertook a sale process for the assets of SVG in Norway. To support SVG's finance and trading operations NFE had provided parent company guarantees to certain of SVG's lenders and suppliers. As a result of the impending insolvency of NFE, the directors of NFE placed NFE into voluntary administration on 19 November 2015. The claims of NFE's creditors were at that time approximately A\$111,773,700 owing to unsecured creditors (including approximately A\$111,170,000 contingent liability outstanding guarantee creditors of SVG). On 24 March 2016, NFE entered into a deed of company arrangement ("**DOCA**") with its creditors in terms of which its obligations to creditors were compromised and transferred to a creditors' trust. Priority and secured creditors of NFE to the value of approximately A\$285,000 were paid in full, however unsecured creditors to the value of approximately A\$160,000 received nil or very little return. In May 2016, NFE was reinstated to the ASX following the completion of the DOCA and a recapitalisation of the company.

- 7.3. In 2012, Northern Iron Ltd was served with an infringement notice by ASIC, alleging that it had failed to comply with its continuous disclosure obligations. The company complied with the notice without admission of guilt or liability. No further action was taken by ASIC.
- 7.4. Save as disclosed at the date of this prospectus none of the Directors or Senior Managers:
- (a) (has any convictions in relation to fraudulent offences for at least the previous five years;
  - (b) has been associated with any bankruptcy, receivership or liquidation or company put into administration while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company for at least the previous five years; or
  - (c) has been subject to any official public incrimination and/or sanction of them by any statutory or regulatory authority (including any designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.
- 7.5. There are no family relationships between any of the Directors or the Senior Managers.
- 7.6. There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director or Senior Manager was selected
- 7.7. None of the Directors or Senior Managers has any potential conflicts of interest between their duties to the Company and their private interests or other duties they may also have.

## 8. MAJOR SHAREHOLDERS

- 8.1. Save as set out below, the Directors are not aware of any person who, directly or indirectly, has an interest in three per cent. or more of the Issued Share Capital or voting rights of the Company as at the Last Practicable Date:

Name	Number of Ordinary Shares held as at the Last Practicable Date	Percentage of the Issued Ordinary Share Capital held as at the Last Practicable Date
Sandfire Resources <sup>(1)</sup> .....	28,052,232	15.78%
Citicorp Nominees Pty Ltd .....	17,786,647	10.01%
Paul Cronin .....	16,851,332	9.48%
Milos Bosnjakovic .....	16,000,000	9.00%
BNP Paribas Nominees Pty Ltd .....	11,123,709	6.26%
Glamour Division Pty Ltd .....	9,148,192	5.15%
Emanuel Datt <sup>(2)</sup> .....	9,037,942	5.09%
JP Morgan Nominees Aust .....	8,471,056	4.77%
BNP Paribas Nominees Hub24 .....	8,252,399	4.64%
HSBC Custody Nominees .....	6,744,523	3.80%
Charles Waite Morgan .....	5,478,112	3.08%

Note:

(1) Sandfire Resources holding aggregated with holdings of other members of Sandfire Resources group.

(2) Aggregate of entities controlled by Emanuel Datt.

- 8.2. As at the Last Practicable Date, the Company was not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- 8.3. Those interested, directly or indirectly, in three per cent. or more of the issued Ordinary Shares of the Company (as set out in paragraph 8.1 above) do not now, and, following the Admission, will not, have different voting rights from other holders of Ordinary Shares.

## 9. SUBSIDIARIES, INVESTMENTS AND PLACES OF BUSINESS

- 9.1. The Company has one directly held subsidiary, Eastern Mining.
- 9.2. The Company has no other subsidiaries, investments or places of business.

## 10. WORKING CAPITAL

In the opinion of the Company, the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least 12 months from the date of this prospectus.

## 11. CAPITALISATION AND INDEBTEDNESS

As at the date of this prospectus, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness and the Company's Issued Share Capital consists of 177,715,987 Ordinary Shares with no legal reserve or other reserves.

## 12. SIGNIFICANT CHANGE

In November 2019 the Company completed an institutional placement raising approximately A\$25,000,000 before expenses from the issue of 25,000,000 Ordinary Shares of £0.013355 at an issue price of A\$1.00 per Ordinary Share.

Other than the institutional placement referred to in this paragraph 12, there has been no significant change in the financial performance or financial position of the Group since 30 June 2019, being the date of the end of the last financial period for which financial information has been published up to the date of this prospectus.

### **13. INVESTMENTS IN PROGRESS**

Save as disclosed in this prospectus, the Company has no investments in progress.

### **14. LITIGATION**

There are no governmental, legal or arbitration proceedings including any such proceedings which are pending or threatened and of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Company and/or the Group's financial position or profitability.

### **15. MATERIAL CONTRACTS**

The following contracts are outside the course of business and either: (a) have been entered into by the Group within two years immediately preceding the date of this document; or (b) contain provisions under which the Group has an obligation or entitlement that is or may be material to the Group as at the date of this document.

#### **15.1. Exploration Concession**

On 12 March 2013 Eastern Mining entered into the Concession Agreement with the Zenica-Doboj Canton in relation to the Vares Project which is situated in the Municipality of Vares. The Exploration Concession has been granted to Eastern Mining for the exploration and exploitation of metallic mineral resources, including lead, zinc and barite. Eastern Mining is obliged to perform exploration and exploitation work, which includes mining and certain auxiliary works. The term of the Exploration Concession is for a period of 25 years from 12 March 2013. The exploration and preparatory works was originally required to be completed within a period of 5 years from such date. On 19 February 2018 Eastern Mining and the Zenica-Doboj Canton agreed to extend the exploration period until 25 May 2020. Eastern Mining will be required to pay a concession fee every quarter, calculated on the basis of per tonne of ore exploited during the relevant period, at a rate determined between the parties based on the relevant mineral prices on the London Stock Exchange, but no less than BAM 1.50 per tonne, with an obligatory minimum annual payment equal to an amount of 100,000 tons of exploitation ore, even if the amount exploited is less. If no agreement is achieved in reviewing and aligning the price within a period of 90 days, the Zenica-Doboj Canton is entitled to terminate the Exploration Concession. As security for the quarterly concession fees payable, Eastern Mining has issued a bill-of-exchange with a value of BAM 300,000 to the Zenica-Doboj Canton. A letter from the Ministry of Economy dated 18 October 2019 has clarified that Eastern Mining is not under an obligation to meet any such exploitation requirements prior to 25 May 2020.

The Zenica-Doboj Canton may terminate the Exploration Concession in certain circumstances including if Eastern Mining, fails to pay the quarterly concession fee, insolvency proceedings are commenced against it or if it fails to meet any of its obligations under the Exploration Concession. The Zenica-Doboj Canton must provide Eastern Mining at least 30 days to remedy a breach under the Exploration Concession.

#### **15.2. Agreement with Canaccord and Tamesis**

An engagement letter dated 28 October 2019 between the Company, Canaccord and Tamesis, pursuant to which the Company appointed Tamesis and Canaccord as joint lead managers to a private placement. The aggregate gross fees payable by the Company is a commission of 6% of the funds raised pursuant to the placement, comprising a cash management fee, fixed fees, variable fees and performance fees.

The engagement letter contains customary indemnities by the Company in favour of Tamesis and Canaccord and standard limitation on the liability of Tamesis and Canaccord to the Company.

**15.3. Agreement with Tamesis**

An engagement letter dated 15 July 2019 between the Company and Tamesis, pursuant to which the Company appointed Tamesis as its financial adviser, including in connection with this prospectus and Admission. The term of the appointment is for an initial term of 12 months and is automatically renewed on a quarterly basis unless terminated by either party on one month's written notice or immediately on written notice if the other party is in material breach. Pursuant to the Tamesis engagement letter, the Company has agreed to pay to Tamesis a quarterly retainer fee, a success fee on Admission and corporate transactions, and for equity capital raisings.

The engagement letter contains customary indemnities by the Company in favour of Tamesis and standard limitation on the liability of Tamesis to the Company.

**15.4. Agreement with Hannam & Partners**

Pursuant to an engagement letter dated 4 June 2019, the Company appointed Hannam & Partners as its joint financial adviser. The appointment can be terminated at any time by written notice of the other party. The Company has agreed to pay to Hannam & Partners a monthly retainer fee, and certain base and success fees for certain corporate transactions, and for equity capital raisings. The engagement letter contains customary indemnities by the Company in favour of Hannam & Partners and a limitation on the liability of Hannam & Partners to the Company.

**15.5. Agreement with GMN**

The Company and GMN entered into an agreement dated 12 June 2019 pursuant to which GMN would provide the Company introductions to potential investor, facilitate road shows and other promotional activities. In consideration of these services the Company pays GMN a retainer of EUR 3,800 per month. In the event that there is a road show, GMN is entitled to receive EUR 3,800 for each road show (per day). The agreement is for an initial term of one month and is automatically renewed for additional successive one-month periods. GMN may terminate the agreement immediately by giving notice to the Company and the Company may terminate on 10 days' notice to GMN.

**15.6. Agreement with BMO**

Pursuant to an engagement letter dated 21 May 2019, the Company appointed BMO as its joint financial adviser. The agreement can be terminated on written notice and shall terminate automatically on completion of a takeover of the Company, whichever is the earlier. Pursuant to the agreement, the Company has agreed to pay to BMO certain base and success fees in respect of specified corporate transactions.

The engagement letter contains customary indemnities by the Company in favour of BMO.

**15.7. Registrar Agreement**

The Company and the Registrar have entered into the Registrar Agreement pursuant to which the Registrar has agreed to act as registrar to the Company and to provide transfer agency services and certain other administrative services to the Company in relation to its business and affairs.

The commencement date of the Registrar Agreement will be the date of Admission. The Registrar Agreement shall continue for an initial period of three years and thereafter will continue until terminated upon written notice by either party, by giving not less than six months' written notice (such notice not to expire prior to the third anniversary of the commencement date). In addition, the agreement may be terminated by notice in writing if either party (i) commits a material breach of the agreement which has not been remedied within 21 days of a notice requesting the same; (ii) goes into insolvency, liquidation (except voluntary), administration or receivership (provided that the insolvency, liquidation, administration or receivership is not revoked within 30 days); or (iii) ceases to have the appropriate authorisations which permit it to perform its obligations under the agreement.

**15.8. Collaboration and Partnership Deed with Sandfire Resources**

On 1 May 2018, the Company entered into a collaboration and partnership deed with Sandfire Resources.

The deed contains an anti-dilution right which entitles Sandfire Resources to participate in any offer of securities or any issue of securities on conversion or exercise of any equity securities by the Company up to the amount necessary to ensure that Sandfire Resources interest in the Company's securities immediately prior to the completion of such offer or issue of securities is maintained, provided that Sandfire Resources's participation is for cash consideration that is: (a) no more favourable than the cash consideration paid by third parties; or (b) equivalent in value to a non-cash consideration offer by third parties. The anti-dilution right shall cease to apply on the earlier to occur of Sandfire Resources's interest in the Company's securities: (a) falling below 7.70 per cent. of the Company's issued ordinary share capital (other than as a result of the offer or issue of securities to which the anti-dilution right applies); and (b) increasing to more than 19.99 per cent. of the Company's issued ordinary share capital.

Pursuant to the deed, Sandfire Resources is entitled to nominate one director to the Board of the Company as a non-executive director ("**Nominated Director**") for so long as Sandfire Resources's interest in the Company's securities is 10 per cent. or more of the Company's issued ordinary share capital. The right of Sandfire Resources to nominate a director shall cease to apply if Sandfire Resources's interest in the Company falls below 10 per cent. of the Company's issued ordinary share capital for more than 30 consecutive days on which the ASX is open for trading.

Any Nominated Director nominated by Sandfire Resources for appointment must be appointed on the same terms as the other non-executive directors of Company, including terms of remuneration, cost reimbursement and rights of indemnity, access and insurance.

Under the deed, the Company agreed to establish a strategic technical committee ("**Strategic Committee**") which, in relation to the Company's projects (surrounding prospects and related exploration or development opportunities): will be responsible for (a) assessing and reviewing overall progress and (b) providing the Board with recommendations and advice as to technical, in-country, political, funding, and marketing matters. The Strategic Committee must: (i) be chaired by either the Company's Managing Director, or another representative appointed by the Company; (ii) include at least one subject matter expert from each of Sandfire Resources and the Company. Recommendations and advice provided by the Strategic Technical Committee to the Board are non-binding. If Sandfire Resources's interest in the Company's securities falls below 7.70 per cent. of the Company's issued ordinary share capital for more than 30 consecutive days on which the ASX is open for trading, the obligations relating to the Strategic Committee cease to apply.

#### 15.9. **Placing Mandate with Ashanti**

Pursuant to an engagement letter dated 18 November 2018, the Company appointed Ashanti as its lead manager and settlement agent in connection with the Company's placing of 19.7 million Ordinary Shares to raise A\$ 10.8 million, in consideration for a cash fee payable to Ashanti equal to 6 per cent. of the gross proceeds of the placing. The engagement letter contains customary indemnities by the Company in favour of Ashanti and standard limitation on the liability of Ashanti to the Company.

#### 15.10. **Agreements with Discovery Capital Partners and Canaccord**

Pursuant to an engagement letter dated 19 December 2017, the Company appointed Discovery Capital Partners as its corporate and financial advisor to its ASX IPO and post-listing to assist the Company with maximising shareholder value in relation to its growth, corporate and capital markets objectives. In consideration for these services, Discovery is entitled to a corporate advisory fee of A\$5,000 which was payable monthly in arrears from the date of the IPO.

Pursuant to an engagement letter with Canaccord dated 13 February 2018, the Company appointed Discovery Capital Partners as its lead manager and bookrunner (and Canaccord as co-manager) in relation to the offering of CDIs representing fully paid Ordinary Shares in the Company through an IPO and listing of the ASX to raise up to A\$10,000,000. The fee payable in consideration for the services is the greater of (i) A\$100,000 plus goods and services tax and (ii) 5 per cent of the funds of the proceeds raised in the IPO from investors procured by Canaccord.

#### 15.11. **Computershare Australia Registry Services Agreement**

Pursuant to an agreement dated 4 January 2018, the Company appointed the Australian Registrar to provide certain IPO and registry services to the Company in connection with the Company's ASX listing, the creation and maintenance of its Australian branch share register and its CHESS Depositary Interest arrangements. The Company agreed to pay A\$2,000 for the IPO and initial set up fees and A\$575 per month (based on up to 1,000 shareholders) for ongoing share registry services, as well as ad hoc service fees for certain corporate actions and transactions.

Pursuant to the agreement, the Company, in its capacity as attorney of the Depositary pursuant to Rule 13.5.8 of the ASX Settlement Operating Rules, has appointed the Australian Registrar as its attorney to do all things necessary to effectuate any transfer for the purposes of Rule 13.3 of the ASX Settlement Operating Rules and to give full effect to the rights and obligations of the Depositary under Rules 13.1 to 13.3 of the ASX Settlement Operating Rules, including for the completion, execution and delivery of proxies provided for by Rule 13.8 of ASX Settlement Operating Rules.

The initial term of the agreement is for three years and thereafter will continue for successive periods of one year, unless terminated by either party on six months' written notice. The agreement may be terminated by notice in writing if either party (i) commits a material breach of the agreement which has not been remedied within 30 days of a notice requesting the same; (ii) goes into insolvency.

The Company has agreed to indemnify Australian Registrar in respect of any claims or liabilities arising in connection with the provisions of the services by the Australian Registrar except as a result of the fraud, wilful default or negligence of the Australian Registrar. In addition, the liability of the Australian Registrar to the Company is limited in aggregate to the service fees paid to the Australian Registrar in the 12 months preceding the event for which recovery is sought. The agreement is governed by the laws of the State of Western Australia.

#### 15.12. **ASX deed of undertaking**

By deed of undertaking effective 27 April 2019 the Company gave various undertakings to the ASX including *inter alia*:

- notifying the market immediately of a person becoming or ceasing to be a substantial holder in the Company;
- producing a statement in each annual report setting out the names of all substantial holders in the Company; and
- producing a statement in each annual report specifying any limitations on the acquisition of securities imposed by legislation governing the Company in the United Kingdom and/or in the Articles.

#### 15.13. **Non-Executive Directors' letters of appointment**

##### **Peter Bilbe**

Peter Bilbe entered into a letter of appointment with the Company on or around 24 February 2019 pursuant to which Mr Bilbe was appointed as a Non-Executive Director of the Company. Mr Bilbe is entitled to a base fee of A\$7,500 per month, which may be increased to A\$15,000 per month in circumstances where 'qualifying transactions' are under consideration or being implemented, requiring additional time and input. These are transactions requiring time and input that is over and above what would ordinarily be required of a Non-Executive Director.

##### **Julian Barnes**

Julian Barnes entered into a letter of appointment with the Company on or around 24 February 2019 pursuant to which Mr Barnes was appointed as a Non-Executive Director of the Company. Mr Barnes is entitled to a base fee of £2,500 per month, which may be increased to £5,000 per month in circumstances where 'qualifying transactions' are under consideration or being implemented, requiring additional time and input.

### **Michael Rawlinson**

Michael Rawlinson entered into a letter of appointment with the Company dated 4 March 2019 pursuant to which Mr Rawlinson was appointed as a Non-Executive Director of the Company. Mr Rawlinson is entitled to a base fee of £30,000 per annum, which may be increased to £5,000 per month in circumstances where ‘qualifying transactions’ are under consideration or being implemented, requiring additional time and input. Mr Rawlinson was also granted 1,000,000 share options with an exercise price of A\$1.00 per share, with an exercise period of three years, subject to the terms and conditions of the Option Plan 2019.

### **Milos Bosnjakovic**

Milos Bosnjakovic entered into a letter of appointment with the Company on or around 13 July 2018 pursuant to which Mr Bosnjakovic was appointed as a Non-Executive Director of the Company. This letter of appointment is in addition to his consultancy agreement with the Company dated 7 February 2018, as varied on 12 July 2018 which is summarised in paragraph 15.14 below. Mr Bosnjakovic is entitled to a base fee of £2,500 per month, which may be increased to £5,000 per month in circumstances where ‘qualifying transactions’ are under consideration or being implemented, requiring additional time and input. During his appointment as a director, Mr Bosnjakovic is prohibited from being engaged or interested in any public or private work or duties in relation to base metals in Bosnia and Herzegovina which are in direct conflict with the best interests of the Company (in the reasonable opinion of the Board). Except with the consent of the Board or by authority given by a resolution of the Company, during his appointment Mr Bosnjakovic must not be engaged in any other base metals business competing in any material respect in Bosnia and Herzegovina with the business of the Company (save for specific *bona fide* portfolio investments). The appointment letter contains an acknowledgement that the Company owns all intellectual property developed during or 12 months’ after Mr Bosnjakovic’s engagement with the Company or anything developed using information Mr Bosnjakovic obtained during his engagement with the Company.

### **John Richards**

John Richards entered into a letter of appointment with the Company on or around 11 November 2019 pursuant to which Mr Richards was appointed as a Non-Executive Director of the Company. Mr Richards is entitled to a base fee of A\$54,000 per annum, which may be increased to higher level by determination of the Board in circumstances where ‘qualifying transactions’ are under consideration or being implemented, requiring additional time and input. Mr Richards has also been granted 1,000,000 share options with an exercise price of A\$1.25 per share, with an exercise period of three years from grant, subject to the terms and conditions of the Option Plan 2019.

### **Sandra Bates**

Sandra Bates entered into a letter of appointment with the Company on or around 11 November 2019 pursuant to which Ms Bates was appointed as a Non-Executive Director of the Company. Ms Bates is entitled to a base fee of £30,000 per annum, which may be increased to higher level by determination of the Board in circumstances where ‘qualifying transactions’ are under consideration or being implemented, requiring additional time and input. Ms Bates has also been granted 1,000,000 share options with an exercise price of A\$1.25 per share, with an exercise period of three years from grant, subject to the terms and conditions of the Option Plan 2019.

## **15.14. Consultancy arrangements**

### **Paul Cronin, Managing Director and Chief Executive Officer**

#### *The Company*

On 12 September 2019 the Company entered into a consultancy agreement with Swellcap Limited (“**Swellcap**”) and Paul Cronin. Swellcap has agreed to provide the services of Mr Cronin as Managing Director and Chief Executive Officer to the Company under the agreement. Swellcap, through Mr Cronin will (amongst other things) oversee all operations

for the Company's projects, manage the completion of technical studies on the Company's projects, develop subordinate staff and oversee the eventual constructions of the Company's projects.

Swellcap and/or Mr Cronin are not required to provide these services on an exclusive basis, however they will not provide services if the provision of which may constitute a conflict of interest or interfere with Swellcap's obligation to provide services to the Company. Swellcap is not required to provide the services for a period of up to 30 days per year.

In consideration for these services, the Company will pay Swellcap a fee of £170,000 per annum, which is to be calculated on a daily basis and paid monthly. Subject to Swellcap achieving certain Key Performance Indicators, the Company will pay Swellcap a bonus. The Board has discretion to determine whether the KPIs have been achieved and if so, what proportion of the bonus amount is payable. The KPIs (and accompanying bonus amounts) include admission of the Company to London Stock Exchange (bonus amount £30,000), the issue of an exploration permit for each of Veovača (bonus amount £35,000) and Rupice (£35,000). Any bonus ceases to be payable if the services are no longer being provided and/or are under notice of termination as at the last day of the period to which the bonus relates.

In accordance with the consultancy agreement, Mr Cronin has been issued 1,500,000 Performance Rights (being a right to be issued shares granted under the Option Plan 2019). By 31 December 2019 750,000 Performance Rights will vest if (a) the scoping study for the Vareš project has completed; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A\$1.25 for the 5 consecutive trading days immediately prior to 31 December 2019. By 31 December 2021 750,000 Performance Rights will vest if (a) completion of a JORC compliant definitive feasibility study; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A\$1.50 for the 5 consecutive trading days immediately prior to 31 December 2021.

The agreement is deemed to have commenced on 1 July 2019. The Company or Swellcap may terminate the agreement on six months' written notice. The Company is entitled to pay Swellcap in lieu of all or any part of the notice period. The Company or Swellcap may terminate without notice if the other party commits a serious breach of the agreement or otherwise engages in conduct that would justify a decision to terminate without notice. The Company may also terminate with immediate effect if (amongst other items) Swellcap is unable to comply with any necessary regulatory or licensing requirements, if Swellcap and/or Mr Cronin's are subject to insolvency/bankruptcy circumstances or if Swellcap fails to perform the services for a continuous period of more two weeks without written consent of the Company.

#### *Eastern Mining*

On 1 April 2017 Eastern Mining entered into a management agreement with Paul Cronin ("**Director Management Agreement**") in respect of his role as Director of Eastern Mining. Under the terms of the Director Management Agreement Eastern Mining pays Mr Cronin a monthly fee of 1,700 BAM net.

Either party can terminate the Director Management Agreement by giving 14 days' notice. Eastern Mining can terminate the Director Management Agreement without notice if Mr Cronin breaches the provisions of the agreement, including but not limited to neglecting his duties, criminal convictions, misuse of his position or unauthorised disclosure of business secrets.

#### **Milos Bosnjakovic, Non-Executive Director and Head of Regulatory**

On 7 February 2018 the Company entered into a consultancy services agreement with Milos Bosnjakovic, pursuant to which Mr Bosnjakovic provides services to the Company as Head of Regulatory from the effective date of the agreement, being 1 February 2017. This agreement was varied by letter dated 13 July 2018. Under the agreement Mr Bosnjakovic is responsible for, *inter alia*, managing applications and extensions of exploration licenses and

mining concessions in Bosnia & Herzegovina, managing the grant of all other licenses or permits required by the Company or its subsidiaries to operate in Bosnia & Herzegovina and identifying potential new business opportunities in Bosnia & Herzegovina.

Mr Bosnjakovic is prohibited from being engaged or interested in any work or duties in relation to base metals in Bosnia & Herzegovina which would result in a direct conflict with the best interests of the Group. Except with the written consent of the Board or by an authorising resolution of the Company, during the term of the agreement Mr Bosnjakovic is prohibited from being engaged, concerned or interested in any other base metals business in Bosnia & Herzegovina competing with the business of the Company. Mr Bosnjakovic is expressly permitted to hold non-executive or executive positions with non-related companies as agreed by the Board or other *bona fide* portfolio investments. Mr Bosnjakovic is paid a fee of £7,500 per month.

#### **Graham Hill, Chief Operating Officer**

On 16 September 2019 the Company entered into a consultancy agreement with Graham Hill in respect of his role as Chief Operating Officer of the Company. The agreement provides that Mr Hill will also be employed by Eastern Mining as Chief Operating Officer (subject to Mr Hill obtaining the requisite work visa). Mr Hill will (amongst other items) oversee operations for the Company's projects, manage the completion of technical studies and develop subordinate staff.

Mr Hill is not required to provide these services on an exclusive basis, Mr Hill will not provide services to another party which may constitute a conflict of interest or interfere with his obligation to provide services to the Company. Mr Hill is not required to provide the services for up to 30 days per year. Payment will be made in lieu of any of the 30 days at the end of each year if they are not accumulated.

The Company will pay Mr Hill's relocation costs of £20,000 in connection with his relocation to Bosnia & Herzegovina. In consideration for the services, the Company will pay Mr Hill fees at a rate of £172,000 per annum, calculated for the period of time that Mr Hill provides the services and paid monthly. Mr Hill is also paid an accommodation fee of £18,000 per annum in equal monthly instalments. Subject to Mr Hill achieving certain Key Performance Indicators, the Company will pay him a bonus. The KPIs and bonus amount will be determined by the Board.

In accordance with the agreement the Company has granted Mr Hill 1,000,000 Options under the Option Plan 2019. The Options will have an exercise price of A\$1.25 per Option and will expire within 3 years from the date of issue. The Options will vest in two tranches being 50 per cent. on completion of a scoping study and 50 per cent. on issuance of an exploitation permit for the Company's Rupice project and Veovača project. In the event that there is a change of control of the Company, Mr Hill be entitled to a payment of £100,000.

The Company or Mr Hill may terminate the agreement on six months' written notice. The Company may pay Mr Hill in lieu of all or any part of the notice period. The Company or Mr Hill may terminate without notice if the other party commits a serious breach of the agreement or otherwise engages in conduct that would justify a decision to terminate without notice. The Company may also terminate with immediate effect if, *inter alia*, Mr Hill is unable to comply with any necessary regulatory or licensing requirements, if Mr Hill is subject to bankruptcy circumstances or if Mr Hill fails to perform the services for a continuous period of more than two weeks without written consent of the Company.

#### **Sean Duffy, Joint Company Secretary**

On 27 November 2017 the Company entered into a consultancy services agreement with Gumtree Management Services Limited ("**Gumtree**") and Sean Duffy. Gumtree has agreed to provide consultancy services to the Company and Mr Duffy is the person nominated to perform the services. The agreement provides that Mr Duffy will act as Chief Financial Officer and Company Secretary and is responsible for (amongst other items), assisting with the financial and regulatory disclosures and reporting required for the initial public offering of the Company, making all required disclosures to the ASX or LSE and preparing the

Company's accounts. During the term of the agreement, Gumtree and Mr Duffy are restricted from being engaged or interested in any work or duties for projects in The Balkans which would result in a direct conflict of interest with the Company.

In consideration for the services, Gumtree receives £4,167 per month which shall accrue daily and is payable monthly in arrears. This fee is subject to annual review by the Company.

Either the Company or Gumtree may terminate the agreement on two months' written notice (or in the case of the Company giving notice to terminate, the option to pay compensation to Gumtree in lieu of notice). The engagement may be terminated without notice if either Gumtree or Mr Duffy are guilty of serious misconduct such as being convicted of certain criminal offences, serious or persistent breach of the agreement and wilful neglect in the discharge of its/his duties.

#### **Gabriel Chiappini, Joint Company Secretary**

On 6 November 2018, Gabriel Chiappini was appointed as the Company's joint company secretary. Mr Chiappini is engaged by the Company, through his consulting firm Laurus Corporate Services ("**Laurus**") under a letter from Laurus to the Company dated 1 November 2018. Laurus is engaged to provide to provide company secretarial services to the Company, including ASX announcements, shareholder general meeting and board meeting notices and coordination of the Company's corporate governance procedures. In consideration for these services, Laurus receives A\$3,000 per month. The appointment of Laurus is for a minimum period of 12 months from 1 November 2018 until terminated on 6 months' notice. The agreement will continue on a rolling basis for successive periods of 12 months unless otherwise agreed.

#### **Adnan Teletovic, General Manager**

On 29 May 2018 Eastern Mining entered into a management agreement with Adnan Teletovic ("**Management Agreement**") in respect of his role as General Manager of Eastern Mining. Eastern Mining will pay Mr Teletovic a monthly fee of 6,000 BAM net and may also pay bonuses.

During the term of the contract, Mr Teletovic is prohibited from engaging in any other business (including but not limited to those business activated conducted by Eastern Mining) without the prior written consent of Eastern Mining. During the agreement and for a period of 12 months from termination, Mr Teletovic is prohibited from being involved in any business which could be in competition with Eastern Mining or any of its connected entities.

Either party can terminate the Management Agreement by giving 30 days' notice. Eastern Mining can terminate the Management Agreement without notice if Mr Teletovic breaches the provisions of the agreement, including (but not limited to) neglecting his duties, criminal convictions, misuse of his position or unauthorised disclosure of business secrets.

The Management Agreement is governed by the laws of Bosnia & Herzegovina.

#### **15.15. Deeds of indemnity and insurance**

The Company has entered into deeds of indemnity and insurance with each existing Director which require the Company to provide an indemnity for liability incurred as an officer of the Company, to the maximum extent permitted by law.

Under the deeds, the Company must arrange and maintain Directors' and Officers' insurance during each Director's period of office and for a period of six years after a Director ceases to hold office. The deeds also require the Directors to provide certain information to enable the Company to comply with its continuous disclosure obligations.

The deeds are otherwise on terms and conditions considered standard for deeds of this nature in the United Kingdom.

## 16. RELATED PARTY TRANSACTIONS

Save for the related party transactions set out in the Historical Financial Information, the non-executive directors' appointment letters and the directors' service agreements summarised in paragraph 15.13 and 15.14 of this Part XVII, there are no related party transactions that were entered into by the Group during the Historical Financial Information Review Period and up to and including the Last Practicable Date.

## 17. OPTION PLANS

The Company's remuneration policy seeks to provide a strong and clear link between business strategy and incentive arrangements. Set out below are summaries of the principal features of the share option plans adopted by the Company.

### 17.1. ESOP 2019 and Option Plan 2019

On 8 November 2019 the Company adopted the ESOP 2019 and the Option Plan 2019. The terms of each plan (each a "**Plan**") are summarised below. The only differences between them is that the ESOP 2019 is specifically for employees of the Group only, whilst the Option Plan 2019 is for the benefit of employees, contractors and consultants of the Group. The Plans are governed by the laws of the State of Western Australia.

The Board has discretion to approve issues of share options and performance rights ("**Performance Rights**") pursuant to each Plan.

#### (a) Eligible participants

The eligible participants under the ESOP 2019 are directors and employees of any member of the Group. The eligible participants under the Option Plan 2019 are directors, employees, other consultants or contractors of any member of the Group. Any other person who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of options or Performance Rights under the Plan shall also be an eligible participant.

In accordance with the ASX Listing Rules, prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan and be granted options or Performance Rights.

#### (b) Limits on Entitlement

An grant of options or Performance Rights may only be made under the Plan if the number of Ordinary Shares that may be acquired on exercise of the options or Performance Rights when aggregated with the number of Ordinary Shares issuable if each outstanding option and Performance Rights were exercised and the number of Ordinary Shares issued pursuant to the Plan or any other Group employee incentive scheme during the previous three years does not exceed 10 per cent of the total number of Ordinary Shares in issue at the time of the proposed grant.

The maximum allocation and allocated pool may be increased by Board resolution, provided such an increase complies with the ASX Listing Rules. The Plan does not set out a maximum number of Ordinary Shares that may be made issuable to any one person or company.

#### (c) Grant and Conditions

A grant of options or Performance Rights under a Plan must be set out in a letter or grant certificate delivered to an Eligible Employee, specifying (as determined by the Board) among other things: the number of Options or Performance Rights, the conditions of grant, the grant date, any fee payable by any participant on the grant of options, Performance Rights or Ordinary Share(s) issued pursuant to the exercise of an option or conversion of a Performance Rights (each an "**Employee Incentive**") (if any), any performance criteria (if any), the vesting conditions (if any), the exercise price (if any), the exercise period (if applicable), the performance period (if applicable), and the expiry date and term (if applicable). Options and Performance Rights will be issued for nil consideration.

(d) Employee Share Trust

The Board may in its sole and absolute discretion use an employee share trust or other mechanism for the purposes of holding Ordinary Shares for participants under the Plans and delivering Ordinary Shares to participants upon exercise of the options or the vesting of a Performance Right.

(e) Cashless Exercise

Under the Plan, a participant may elect to pay the exercise price for each option by setting off the total exercise price against the number of Ordinary Shares which they are entitled to receive upon exercise ("**Cashless Exercise Facility**"). By using the Cashless Exercise Facility, the holder will receive Ordinary Shares to the value of the surplus after the exercise price has been set off.

(f) Lapse of options and Performance Rights

Subject to the Board's discretion, options and Performance Rights shall automatically be cancelled for no consideration where: (i) the participant ceases to hold employment or office with the Company or Group member (except where the participant is a good leaver); (ii) the participant is determined to have engaged in fraudulent or dishonest conduct (as described below); (iii) the applicable performance criteria and/or vesting conditions are not achieved by the relevant time; (iv) the Board determines, in its reasonable opinion, that the applicable performance criteria and/or vesting conditions have not been met or cannot be met within the relevant time; (v) the Expiry Date has passed; (vi) the Board determines that the participant has brought the Group into disrepute or acted contrary to the interest of the Company or Group; (vii) the participant has elected to surrender the Performance Rights or options; and (viii) the letter of grant provides for the cancellation of the Performance Rights or options in any other circumstances.

(g) Good Leaver

A good leaver is a participant who ceases employment or office with the Company or a member of the Group and is determined by the Board to be a good leaver. Where a participant who holds Employee Incentives becomes a good leaver: (i) all vested options which have not been exercised will continue in force and remain exercisable for 90 days after the date the participant becomes a good leaver, unless the Board determines otherwise in its sole and absolute discretion, after which the Employee Incentives will lapse; and (ii) the Board may in its discretion permit unvested Employee Incentive held by the good leaver to vest, or to continue to be held by the applicable holder or amend the vesting criteria applicable to the Employee Incentives (including performance criteria and/or vesting conditions) or determine that the unvested Employee Incentives lapse.

(h) Bad Leaver

Where a participant who holds Employee Incentives becomes a bad leaver, unless the Board determines otherwise (in its sole and absolute discretion), all vested and unvested Employee Incentives will lapse. Where a participant who holds Employee Incentives becomes a bad leaver the Board may determine to exercise the right to buy back any Ordinary Shares issued upon exercise of an option or conversion of a Performance Rights.

A bad leaver is a participant who, unless the Board determines otherwise, ceases employment or office with the Company or member of the Group (which includes for any of the circumstances which amount to fraudulent or dishonest conduct (described below)).

(i) Fraudulent or Dishonest Conduct

Where, in the opinion of the Board, a participant or former participant (which may include a good leaver) has engaged in fraudulent or dishonest conduct the Board may deem all employee Incentives held by the participant or former participant to be automatically be forfeited. Fraudulent or dishonest conduct means a participant or former participant: (i) acts fraudulently or dishonestly; (ii) wilfully breaches his or her

duties to the Company or any member of the Group; brings the Group or its business or reputation into disrepute; (iii) commits any material breach of the provisions of any employment contract entered into by the participant with any member of the Group; (iv) commits any material breach of any of the policies of the Group or procedures or any laws, rules or regulations applicable to the Company or Group; (v) is subject to allegations, has been accused of, charged with or convicted of fraudulent or dishonest conduct in the performance of his duties; (vi) is subject to allegations, has been accused of, charged with or convicted of any criminal offence which involves fraud or dishonesty or any other criminal offence which Board determines (in its absolute discretion) is of a serious nature; (vii) has committed any wrongful or negligent act or omission which has caused any member of the Group substantial liability; (viii) has become disqualified or banned from managing corporations or has committed any act that, may result in the participant being banned from managing a corporation; (ix) has committed serious or gross misconduct, wilful disobedience or any other conduct justifying termination of employment without notice; (x) has wilfully or negligently failed to perform their duties under any employment contract entered into by the participant with any member of the Group; (xi) has engaged in a transaction which involves a conflict of interest to their employment with the Company resulting in the participant obtaining a personal benefit; (xii) accepts a position to work with a competitor of the Company or Group; (xiii) acts in such a manner that could be seen as being inconsistent with the culture and values of the Company or the Group; or (xiv) any other act that the Board determines in its absolute discretion to constitute fraudulent or dishonest by the participant.

(j) Change of Control

All granted Performance Rights which have not yet vested or lapsed shall automatically and immediately vest (regardless of whether any performance criteria or vesting conditions have been satisfied) and a participant may exercise any or all of their options (regardless of whether the vesting conditions have been satisfied but provided that no option will be capable of exercise later than the expiry date) if any of the following change of control events occur (or has been announced and, in the opinion of the Board, will or is likely to occur): (i) the acquisition by a person or group of persons acting in concert (as defined in the Takeover Code) of interests in securities (as defined in the Takeover Code) carrying more than 50 per cent. of the voting rights of the Company; (ii) the acquisition or proposed acquisition by a person or group of persons acting in concert of interests in securities (as defined in the Takeover Code and whether held directly or indirectly) carrying 30 per cent. or more of the voting rights of the Company followed by a general offer to the shareholders of the Company (whether pursuant to Rule 9 of the Takeover Code or otherwise), and which is recommended by the board of the Company, and becomes or is declared unconditional; (iii) a person (either acting alone or with a group of persons acting in concert) has appointed or removed a majority of the board of directors of the Company or has the right or ability to appoint or remove a majority of the board of directors of the Company; (iv) the consummation of a reorganisation, takeover, merger, consolidation, scheme of arrangement, statutory share exchange or similar transaction or series of related transactions after which either: (1) the shareholders of the Company immediately prior to the transaction cease to own more than 50 per cent. of the combined voting rights of the surviving or resulting entity after the transaction or (2) the members of the board of directors of the Company immediately prior to the transaction do not constitute a majority of the board of directors of the surviving or resulting entity after the transaction; and (v) the announcement by the Company that a sale or transfer (in one transaction or a series of related transactions) of the whole or substantially the whole of the undertaking and business of the Company has been completed.

If the Board has procured an offer for all holders of options on like terms (having regard to the nature and value of the options) to the terms proposed under the change in control event and the Board has specified (in its absolute discretion) a period during

which the holders of options may elect to accept the offer and, if the holder has not so elected at the end of that offer period, the options, if not exercised within 10 days of the end of that offer period, shall expire.

(k) Lock in arrangements

The Board may request the Company's share registry to impose a holding lock on any Employee Incentives issued pursuant to the Plan where the Board determines or reasonably believes (in its absolute discretion) that a participant (or a former participant) has or may breach the Plan rules.

(l) Amendment of Plan

The Board may at any time amend the Plan rules or the terms and conditions upon which any Employee Incentives have been issued under the Plan, provided that no amendment to the Plan rules or to Employee Incentives granted under the Plan may be made if the amendment, in the opinion of the Board, materially reduces the rights of any participant in respect of Employee Incentives granted to them prior to the date of the amendment, other than: (i) an amendment introduced primarily: (1) for the purposes of complying with or conforming to present or future legislation governing or regulating the Plan or like plans; (2) to correct any manifest error or mistake; (3) to allow the implementation of a trust arrangement in relation to the holding of Shares granted under the Plan; (4) for the purpose of complying with applicable laws; and/or (5) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation; or (ii) an amendment agreed to in writing by the participant(s). The Board may determine that any amendment to the Plan rules or the terms of Employee Incentives granted under the Plan be given retrospective effect.

(m) Termination or Suspension

Subject to the Board considering and endeavouring to ensure that there is fair and equitable treatment of all participants, the Board may at any time terminate or amend the Plan or suspend the operation of the Plan for such period or periods as it thinks fit.

## 17.2. **Option Plan 2018**

The Company adopted the Option Plan 2018 on 12 February 2018, particulars of which are summarised below. The Board has resolved that no new options shall be granted under this plan and that future grants of options shall be made under the Option Plan 2019 and the ESOP 2019. A total of 23,035,000 options remain outstanding under the Option Plan 2018, as identified in the table of outstanding options at paragraph 17.3.

(a) Eligible Participants

The Board at its sole discretion may grant options under the Option Plan 2018 to any eligible persons, being, employees, directors or consultants of any member of the Group.

(b) Grant of options

The Board may grant options under the Option Plan 2018 to eligible persons by executing an option certificate, specifying, among other things, the terms of the options granted, the grant date and total number of options granted, the exercise price, the vesting date and lapse date and any other matters the Board determines necessary, including any performance conditions the exercise conditions and disposal restrictions attaching to the options. The vesting date may not be earlier than the first anniversary of the grant date or later than the fifth anniversary of the grant date.

(c) Performance conditions

Performance conditions may, at the discretion of the Board, be specified to apply to all or part of an option and shall be an objective measure of the performance of (i) the Company; (ii) the optionholder; or (iii) a business unit of which the optionholder is a part. The Board is entitled to vary or waive any performance conditions if events occur

which cause (i) the options to become exercisable before the end of the period for the assessment of the original performance condition where such original performance condition cannot reasonably be assessed in the shortened time frame; the Board to decide that the performance condition is no longer an appropriate measure of performance or is no longer required.

(d) Lapse of options

Options granted under the Option Plan 2018 shall lapse on the earliest to occur of: (i) any attempt by the optionholder to transfer or encumber his / her options; (ii) the date when any performance condition becomes incapable of being met or is not met within a specified time period; (iii) the lapse date stated in the option certificate; (iv) 90 days following the optionholder ceasing to be an employee of the Group; (v) the optionholder becoming bankrupt or subject to voluntary arrangements with its creditors; (vi) the first anniversary of the optionholder's death; or (vii) six months from the date of a relevant corporate event ("**Corporate Event**") being a change of control resulting from a takeover offer, or a court sanctioned scheme of arrangement, or shareholders becoming bound by a non-UK reorganization that affects the Ordinary Shares, or any person becoming bound or entitled to acquire the Ordinary Shares under sections 979 to 985 of the Companies Act.

(e) Option Rights

Options granted under the Option Plan 2018 are not capable of being transferred or encumbered by an optionholder. In the event of a purported transfer or grant of encumbrance by the optionholder, the options granted to such optionholder shall lapse. If the Ordinary Shares are listed or traded on any stock exchange, the Company shall apply to the relevant body for any newly issued Ordinary Shares allotted on the exercise of an option to be admitted to trading on that exchange.

(f) Exercise of Options

Options granted under the Option Plan 2018 may be exercised on the earliest to occur of the vesting date, the occurrence of a Corporate Event or at the board discretion during the period of 90 days from the date of cessation of the optionholder's employment with the Group. Options may only be exercised if particular the exercise or vesting conditions have been met and the options are exercised within the respective exercise period, the exercise price has been paid to the Company and all necessary arrangements have been made for the optionholder to pay all relevant tax liabilities.

(g) Cessation of Employment

If an optionholder ceases to be an employee of the Group due to his or her resignation, redundancy dismissal for cause or poor performance on or before the relevant exercise period, the options will lapse.

If an optionholder ceases to be an employee of the Group, due to injury, ill health, disability, retirement, the optionholder's employer ceasing to be a member of the Group or the employment of the optionholder is transferred to a person that is not a member of the Group, the optionholder may exercise their option during the period of 90 days commencing on the earlier of the vesting date and the date on which the option becomes exercisable in relation to a Corporate Event.

(h) Variation of Share Capital

In the event of any variation of the share capital of the Company that affect or may affect the value of the options, the Board may adjust the number of Ordinary Share subject to each option and/or the exercise price in a manner that the board considered to be fair and appropriate.

(i) Compliance with Laws

The terms of the Plan must at all times comply with applicable laws and regulations, including the rules of any stock exchange on which the Company's securities are admitted to trading. Options may not be granted and may not be exercised under the Option Plan 2018 if to do so would contravene any other applicable laws or regulations, including MAR. The Option Plan 2018 is governed by the laws of England.

17.3. Outstanding Options

As at the Last Practicable Date, the following Options and Performance Rights are outstanding:

Name	Options/ Performance Rights	Exercise Price	Award Date	Vesting Conditions	Expiry Date
Geraint Harris	375,000 granted under Option Plan 2018	A\$ 0.60	20 February 2018	Time vested on 1 April 2019 Condition satisfied: completion of a scoping study by the Company	1 July 2021
Peter Bilbe	1,500,000 granted under Option Plan 2018	A\$ 0.30	20 February 2018	Vested on 1 April 2019	1 July 2021
Sean Duffy	600,000 granted under Option Plan 2018	A\$ 0.40	3 May 2019	Vested on 1 April 2019 Condition satisfied: completion of signed audited financial statement for period 30 June 2018	1 July 2021
Robert Annett	500,000 granted to under Options Plan 2018	A\$ 0.40	9 August 2019	Vested on 1 April 2019 Condition satisfied: completion of 5,000 metres of drilling completed by the Company	1 July 2021
Julian Barnes	1,000,000 granted under Option Plan 2018	A\$ 0.30	20 February 2018	Vested on 1 April 2019	1 July 2021
Milos Bosnjacovic	1,000,000 granted under Option Plan 2018	A\$ 0.40	20 February 2018	Vested on 1 April 2019 Condition satisfied: receipt of additional licence and commencement of drilling	1 July 2021
Adnan Teletovic	1,000,000 granted under Option Plan 2018	A\$ 0.40	5 June 2018	Vested on 1 April 2019 Condition outstanding: completion of grant of the exploitation permit for the Vareš Project	5 June 2021
Discovery Capital Partners	2,000,000 service provider Options granted	A\$ 0.40	20 February 2018	Vested upon ASX IPO	1 July 2021
Paul Cronin	2,500,000 granted under Option Plan 2018 being founder share options	A\$ 0.20	20 February 2018	N/A	1 July 2023
Rebecca Cronin	2,500,000 granted under Option Plan 2018 being founder share options	A\$ 0.20	20 February 2018	N/A	1 July 2023
Eric de Mori	4,000,000 granted under Option Plan 2018 being founder share options	A\$ 0.20	20 February 2018	Vested upon ASX IPO.	1 July 2023
Paul Cronin	750,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	11 November 2019	At 31 December 2019 (a) completion of scoping study for the Vareš Project (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A\$1.25 for the 5 consecutive trading days immediately prior to 31 December 2019.	11 November 2022
	750,000 Performance Rights under Option Plan 2019		11 November 2019	At 31 December 2021 (a) completion of a JORC compliant definitive feasibility study; (b) the Volume Weighted	11 November 2022

Name	Options/ Performance Rights	Exercise Price	Award Date	Vesting Conditions	Expiry Date
				Average Market Price per CDI (as quoted on ASX) exceeds A\$1.50 for the 5 consecutive trading days immediately prior to 31 December 2021.	
Graham Hill	1,000,000 granted under Option Plan 2019	A\$1.25	29 November 2022	500,000 vested on completion of the scoping study. 500,000 vest on issuance of an exploitation permit for Vareš Project	29 November 2022
Michael Rawlinson	1,000,000 granted under Option Plan 2019	A\$1.00	29 November 2019	Vest 29 November 2019	29 November 2022
John Richards	1,000,000 granted under Option Plan 2019	A\$1.25	11 November 2019	N/A	11 November 2022
Sandra Bates	1,000,000 granted under Option Plan 2019	A\$1.25	11 November 2019	N/A	11 November 2022
Masa Teran	50,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) issuance of Rupice Exploitation Permit (c) 5,000m drilling in 2020	28 November 2022
Aleksander Vuckovic	100,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) issuance of Rupice Exploitation Permit (c) 5,000m drilling in 2020	28 November 2022
Almir Skenderagic	50,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) issuance of Rupice Exploitation Permit	28 November 2022
Lejla Karcic	50,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) issuance of Rupice Exploitation Permit	28 November 2022
Emir Sudzuka	100,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) issuance of Rupice Exploitation Permit	28 November 2022
Gabriel Chiappini	150,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to the following conditions: (a) share price exceeds \$1.25 (b) completion of A\$25M capital raising	28 November 2022
Enver Kamberovic	30,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) issuance of Rupice Exploitation Permit	28 November 2022
Zdravko Prajo	30,000 Performance Rights under Option Plan 2019	Higher of £1 or nominal value of aggregate of performance rights shares to be allotted	28 November 2019	Vest 30 November 2020 subject to following conditions: (a) share price exceeds \$1.25 (b) 5,000m drilling in 2020	28 November 2022

## **18. Competent Person's Report**

The Company confirms that no material changes have occurred since the date of the Competent Person's Report the omission of which would make the Competent Person's Report misleading.

## **19. GENERAL**

- 19.1. CSA Global (UK) Ltd has given and not withdrawn their written consent to the issue of this prospectus with the inclusion in it of its report in Part XXI of this prospectus and the references to its report and to its name in the form and in the context in which it is included. The contents of the report at Part XXI have been authorised by CSA Global (UK) Ltd for the purpose of this prospectus. CSA Global (UK) Ltd has no material interest in the Company.
- 19.2. The auditors of the Company the financial years ended on 30 June 2019 and 30 June 2018 and the period from 3 February 2017 to 30 June 2017 were Lubbock Fine Chartered Accountants of 3rd Floor, Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB, who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales and the Financial Reporting Council.
- 19.3. Save for the remuneration payable in respect of its role as auditor to the Company, Lubbock Fine Chartered Accountants does not have a material interest in the Company.
- 19.4. Save for the remuneration payable in respect of its role as accountant to the Company, BDO Corporate Finance (WA) Pty Ltd does not have a material interest in the Company.
- 19.5. The total expenses incurred (or to be incurred) by the Company in connection with Admission is approximately £0.45 million.
- 19.6. Save as disclosed in this prospectus, the Company is not dependent on patents or licences or other intellectual property, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.

## **20. THIRD PARTY SOURCES**

The Company confirms that information sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Estimates extrapolated from these data involve risks and uncertainties and are subject to change based on various factors, including those discussed in *Part II – Risk Factors* of this prospectus.

There is only a limited amount of independent data available about certain aspects of the industry in which the Company intends to operate and no objective or reliable data on the position of the Company relative to its competitors. As a result, certain data and information about its market contained in this prospectus are based on good faith estimates reflecting the Company's reasonable review of internal data and information obtained from other third party sources, such as trade and business organisations and associations and governmental bodies and industry regulators. The Company believes these internal management assessments to be reasonably held; however, no independent sources have verified such assessments.

## **21. NO INCORPORATION OF INFORMATION BY REFERENCE**

The contents of the websites of the Company (including any materials which are hyper-linked to such websites) do not form part of this prospectus, has not been scrutinised or approved by the FCA and prospective investors should not rely on them.

## **22. AVAILABILITY OF DOCUMENTS**

- 22.1. Copies of the following documents may be inspected at the registered office of the Company at Stamford House, Regent Street, Cheltenham, Gloucestershire, England, GL50 1HN during usual business hours on any day (except Saturdays, Sundays and public holidays) from the date of this prospectus until Admission:

- (a) the Articles;
- (b) the report of CSA Global (UK) Ltd referred to in Part XXI of this prospectus;
- (c) the historical financial information referred to in the Appendix to this prospectus; and
- (d) this prospectus.

22.2. In addition, this prospectus will be published in electronic form and be available on the Company's website at [www.adriaticmetals.com](http://www.adriaticmetals.com) subject to certain access restrictions applicable to persons located or resident outside the UK.

Date: 9 December 2019

## PART XVIII

### DEFINITIONS

The following definitions apply throughout this prospectus (unless the context requires otherwise):

<b>“Admission”</b>	admission of the Ordinary Shares to the standard listing segment of the Official List and to trading on the Main Market of the London Stock Exchange;
<b>“Affiliate” or “Affiliates”</b>	an affiliate of, or person affiliated with, a person; a person that, directly or indirectly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified;
<b>“AGM”</b>	an annual general meeting of the Company;
<b>“Articles”</b>	articles of association of the Company in force from time to time;
<b>“Ashanti”</b>	Ashanti Capital Pty Ltd;
<b>“ASIC”</b>	the Australian Securities and Investments Commission;
<b>“ASX”</b>	ASX Limited (ACN 008 624 691) trading as the ‘Australian Securities Exchange’ or the financial market operated by it, as the context requires;
<b>“ASX Listing Rules”</b>	the official listing rules of ASX;
<b>“ASX Principles and Recommendations”</b>	the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations;
<b>“A\$”</b>	Australian dollars, the lawful currency of Australia;
<b>“Audit and Risk Committee”</b>	the audit and risk committee of the Board;
<b>“Australian Registrar”</b>	Computershare Investor Services Pty Limited (ACN 078 279 277);
<b>“BAM”</b>	Bosnia-Herzegovina Convertible Mark;
<b>“BMO”</b>	BMO Capital Markets Limited;
<b>“Business Day”</b>	any day (other than a Saturday or Sunday) or an English bank or public holiday;
<b>“Canaccord”</b>	Canaccord Genuity (Australia) Limited;
<b>“CDI”</b>	a CHESS Depository Interest representing one Ordinary Share in the Company;
<b>“certificated” or “in certificated form”</b>	in relation to, as the case may be, a share, warrant or other security, a share, warrant or other security, title to which is recorded in the relevant register of the share, warrant or other security concerned as being held in certificated form (i.e., not in CREST);
<b>“Companies Act”</b>	the Companies Act 2006 (UK);
<b>“Company” or “Adriatic”</b>	Adriatic Metals plc, a company incorporated in England and Wales with registered number 10599833;
<b>“Corporation Act”</b>	the Australian Corporation Act 2001;
<b>“CHESS” or “CHESS System”</b>	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited;
<b>“CHESS Depository Interest”</b>	a depository interest representing underlying securities of a foreign issuer deposited in the name of the Depository and created in accordance with the ASX Settlement Operating Rules;

<b>“CREST” or “CREST System”</b>	the paperless settlement system operated by Euroclear enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written
<b>“Depository”</b>	CHES Depository Nominees Pty Limited, a subsidiary of ASX, acting in its capacity as depository;
<b>“Directors” or “Board”</b>	the directors of the Company, whose names appear in <i>Part VIII – The Directors, Senior Management and Corporate Governance</i> of this prospectus, or the board of directors from time to time of the Company, as the context requires, and <b>“Director”</b> is to be construed accordingly;
<b>“Disclosure Guidance and Transparency Rules” or “DTRs”</b>	the disclosure guidance and transparency rules of the FCA made in accordance with section 73A of FSMA;
<b>“Eastern Mining”</b>	Eastern Mining d.o.o Sarajevo, the Company’s wholly owned subsidiary;
<b>“EBRD”</b>	European Bank of Reconstruction and Development;
<b>“EEA”</b>	the European Economic Area;
<b>“EEA Member States”</b>	the member states of the EEA;
<b>“EFTA”</b>	The European Free Trade Association;
<b>“Energoinvest”</b>	Energoinvest, d.d. Sarajevo;
<b>“ESIA”</b>	Environmental and Social Impact Assessment;
<b>“ESOP 2019”</b>	the employee share option plan of the Company adopted on 8 November 2019;
<b>“EU”</b>	the European Union;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited;
<b>“Exploration Concession”</b>	the exploration concession agreement, No. 04-18-21389-1/13 dated 12 March 2013 between the Zenica-Doboj Canton and Eastern Mining (as amended);
<b>“Issued Share Capital”</b>	177,715,987 Ordinary Shares of nominal value 1.3355 pence each in the capital of the Company in issue as at the date of this prospectus;
<b>“FCA”</b>	the UK Financial Conduct Authority;
<b>“Finance Act”</b>	Finance Act 1986;
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000;
<b>“general meeting”</b>	a meeting of the Shareholders of the Company or a class of Shareholders of the Company (as the context requires);
<b>“GMN”</b>	German Mining Networks GmbH;
<b>“Group”</b>	the Company and its subsidiary undertakings from time to time;
<b>“Hannam &amp; Partners”</b>	H&P Advisory Limited;
<b>“Historical Financial Information”</b>	the historical financial information relating to the Company set out in Part XI on the Company of and the Appendix to this prospectus;
<b>“Historical Financial Information Period”</b>	the financial years of the Company ended 30 June 2019 and 30 June 2018, and for the period from 3 February 2017 to 30 June 2017;
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs;
<b>“IFRS”</b>	International Financial Reporting Standards, as adopted by the EU;

<b>“IFRS IC”</b>	IFRS interpretations committee;
<b>“IPO”</b>	an initial public offering;
<b>“Last Practicable Date”</b>	means 11.00 am (London Time) on 6 December 2019;
<b>“LEI”</b>	legal entity identifier;
<b>“Listing Rules”</b>	the listing rules made by the FCA under section 73A of FSMA;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Main Market”</b>	main market for listed securities of the London Stock Exchange;
<b>“Market Abuse Regulation” or “MAR”</b>	the Market Abuse Regulation (EU) No. 596/2014;
<b>“Nomination Committee”</b>	the nomination committee of the Board;
<b>“Official List”</b>	the official list maintained by the FCA;
<b>“Option”</b>	the option to acquire Ordinary Shares in the Company;
<b>“Option Plan 2019”</b>	the share option plan of the Company adopted on 8 November 2019;
<b>“Option Plan 2018”</b>	the share option plan of the Company adopted on 12 February 2018;
<b>“Order”</b>	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;
<b>“ordinary resolution”</b>	a resolution of Shareholders requiring a simple majority of more than 50 per cent.;
<b>“Ordinary Shares”</b>	the ordinary shares of nominal value 1.3355 pence each in the capital of the Company;
<b>“PDMR”</b>	a person discharging managerial responsibilities, as defined in Article 3(1)(25) of the Market Abuse Regulation;
<b>“Performance Right”</b>	a right to be issued Ordinary Shares at nominal value on the satisfaction of applicable performance criteria;
<b>“Premium Listing”</b>	a premium listing under Chapter 6 of the Listing Rules;
<b>“prospectus”</b>	this document, which comprises a prospectus prepared in accordance with the Prospectus Regulation Rules;
<b>“Prospectus Regulation”</b>	Regulation (EU) 2017/1129;
<b>“Prospectus Regulation Rules”</b>	the prospectus regulation rules of the FCA made in accordance with section 73A of FSMA;
<b>“QCA Code”</b>	The Quoted Companies Alliance Corporate Governance Code 2018;
<b>“Qualified Investors”</b>	persons who are “qualified investors” within the meaning of Article 2(e) of the Prospectus Regulation;
<b>“Register”</b>	the register of holders of Ordinary Shares to be maintained by the Registrar;
<b>“Registrar”</b>	Computershare Investor Services PLC or any other registrar appointed by the Company from time to time;
<b>“Registrar Agreement”</b>	the registrar agreement dated 5 December 2019 between the Company and the Registrar;
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 ( <i>SI 2001 No. 3755</i> );

<b>“Regulatory Information Service” or “RIS”</b>	an information service authorised by the FCA to disseminate regulatory information;
<b>“Remuneration Committee”</b>	the remuneration committee of the Board;
<b>“Restricted Jurisdiction”</b>	the United States, Canada, Japan and the Republic of South Africa;
<b>“Sandfire Resources”</b>	Sandfire Resources NL (ACN 105 154 185);
<b>“Securities Act”</b>	US Securities Act of 1933;
<b>“Share Dealing Code”</b>	the Company’s policy on director dealings in securities which is consistent with the Market Abuse Regulation and the ASX Listing Rules;
<b>“Shareholder”</b>	a holder of Ordinary Shares, as the context requires;
<b>“special resolution”</b>	a resolution of Shareholders requiring a majority of not less than 75 per cent.;
<b>“Standard Listing”</b>	a standard listing under Chapter 14 of the Listing Rules;
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers;
<b>“Takeover Panel”</b>	the UK Panel on Takeovers and Mergers;
<b>“Tamesis”</b>	Tamesis Partners LLP;
<b>“UK Corporate Governance Code”</b>	the UK Corporate Governance Code issued by the Financial Reporting Council in the UK from time to time;
<b>“uncertificated” or “uncertificated form”</b>	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“United States” or “US”</b>	the United States of America;
<b>“US Investment Company Act”</b>	US Investment Company Act of 1940;
<b>“US Securities Act”</b>	US Securities Act of 1933;
<b>“US Person”</b>	any person who is a US person as defined under the Securities Act;
<b>“US\$”</b>	US dollars, the lawful currency of the United States;
<b>“Vareš Project”</b>	the exploration projects of the Company relating to the Veovača and Rupice deposits under the;
<b>“VAT”</b>	(i) within the EU, any tax imposed by any EU member state in conformity with the Directive of the Council of the European Union on the common system of value added tax (2006/112/EC), and (ii) outside the EU, any tax corresponding to, or substantially similar to, the common system of value added tax referred to in paragraph (i) of this definition;
<b>“Working Capital Period”</b>	the 12 month period from the date of publication of this Prospectus; and
<b>“£” or “GBP”</b>	Pounds Sterling, the lawful currency of the United Kingdom.

References to a “company” in this prospectus shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

All references to legislation or regulation in this prospectus are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, supplement, re-enactment or extension

thereof. Words importing the singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

For the purpose of this prospectus, “subsidiary” and “subsidiary undertaking” have the meanings given by the Companies Act.

## PART XIX

### GLOSSARY OF TECHNICAL TERMS

<b>Adit</b>	An adit is an entrance to an underground mine which is horizontal or nearly horizontal, by which the mine can be entered, drained of water, ventilated, and minerals extracted at the lowest convenient level. Adits are also used as exploration access points.
<b>Alpine orogeny</b>	Period of mountain building that affected the ancient Tethyan ocean. It began in the Triassic continuing through to the Late Oligocene and Miocene.
<b>Antiformal</b>	From antiform. An antiform is a convex upwards fold structure in which the relative ages of the rocks within the fold structure are unknown.
<b>Assay</b>	A measured quantity of material within a sample.
<b>Authochthonous</b>	From authochton. An autochthon in structural geology is a large block or mass of rock which is in the place of its original formation relative to its basement or foundation rock. It can be described as rooted to its basement rock as opposed to an allochthonous block or nappe which has been relocated from its site of formation.
<b>Barite</b>	A mineral predominately consisting of barium and composition $BaSO_4$ .
<b>Basement</b>	Highly folded, metamorphic or plutonic rocks, often unconformably overlain by relatively undeformed sedimentary beds (or cover).
<b>Besshi</b>	The location in Japan after which Besshi type VMS deposits are named. The deposits were discovered in 1690 and the mines operated until 1973. Besshi deposits are commonly hosted in sediments of marine origin called turbidites and commonly intruded by mafic sills.
<b>Breccia</b>	Coarse, clastic, sedimentary rock, the constituent clasts of which are angular. The term may also be applied to angular volcanic rocks from a volcanic vent.
<b>Carboniferous</b>	Penultimate period of the Paleozoic era, preceded by the Devonian and followed by the Permian. It began about 359.2 Ma ago and ended about 299 Ma ago.
<b>Collar</b>	Geographical co-ordinates of a drillhole or shaft starting point.
<b>Concession</b>	System of granted tenure which could refer to either exploration or exploitation.
<b>Costeans</b>	Trench completed for geological mapping and sampling.
<b>Cretaceous</b>	Third of the three periods included in the Mesozoic Era. It began 146 Ma ago and ended 65.5 Ma ago.
<b>Copper</b>	Copper is a chemical element with symbol Cu and atomic number 29. It is a soft, malleable, and ductile metal with very high thermal and electrical conductivity.
<b>Costean</b>	A costean is a small trench or pit dug through the surface soil or debris to the underlying rock in place for the purpose of exposing the outcrop of a mineral deposit and determining its course.
<b>Cut-off grade</b>	Threshold above which material is selectively mined or queried.
<b>Dinarides</b>	Dinarides occur in two separate regions: in the Herzegovina area (Outer Dinarides) to the south and in Bosnia to the north. The Inner Dinarides (Bosnia) are composed of deeply weathered

clastic, metasedimentary, metamorphic and igneous rocks. They included mostly Palaeozoic-Triassic rocks and the Dinaride Ophiolite Zone.

<b>Faults</b>	Approximately plane surface of fracture in a rock body, caused by brittle failure, and along which observable relative displacement has occurred between adjacent blocks.
<b>Flysch</b>	Sedimentary facies term used to describe a thick succession of redeposited, deep-sea, clastic material.
<b>Gold</b>	Native gold is an element and a mineral. Gold occurs in hydrothermal veins deposited by ascending solutions, as disseminated particles through some sulphide deposits, and in placer deposits.
<b>Induced polarisation (IP)</b>	Induced polarization (IP) is a geophysical imaging technique used to identify the electrical chargeability of subsurface materials, particularly sulphide minerals which are typical hosts to base metal and some precious metals mineralisation.
<b>Lead</b>	Lead is a chemical element with symbol Pb, atomic number 82. It is a heavy metal that is denser than most common materials. Lead is soft and malleable and has a relatively low melting point.
<b>Mesozoic</b>	Geologic age that began with the Triassic approximately 251 Ma ago and ended around 65.5 Ma at the start of the Cenozoic. The Mesozoic comprises the Triassic, Jurassic, and Cretaceous periods.
<b>Metallogenic</b>	Derived from metallogeny, and refers to the genesis of, and, global and regional distribution, of mineral deposits and their relationship in space and time, to regional features in the Earth's crust.
<b>Nappe sliding (slide, gravity gliding)</b>	The movement of rock bodies in response to gravitational instability along particular planes in unstable regions which leads to the formation of thrust.
<b>Ophiolite melange</b>	A linear belt of highly deformed rocks, including tectonic mélanges, lenses of ophiolites, deep-sea sediments which is interpreted as the boundary between two collided continents or island arcs.
<b>Palaeozoic</b>	First (542–251 Ma) of the three eras of the Phanerozoic.
<b>Quaternary</b>	Either a sub-era of the Cenozoic Era of geologic time that began 1.806 Ma ago and continues to the present day.
<b>Schist</b>	Regional metamorphic rock of pelitic composition which displays a schistosity. Schists are coarser-grained than phyllites, having a grain size greater than 1 mm.
<b>Sedimentary Exhalative</b>	(SedEx) Exhalative processes associated with the upwelling of mineralising fluids into submarine sedimentary environments, whereby mineral deposits, usually of base-metal sulphides, are formed.
<b>Siliciclastic sediments</b>	Lithified, conglomeratic, siliciclastic rock which is unsorted, with sand and/or coarser particles dispersed through a mud matrix.
<b>Silurian</b>	Third (443.7–416 Ma) of six periods of the Palaeozoic Era.
<b>Stratigraphy</b>	The branch of geology concerning the classification, nomenclature, correlation, and interpretation of stratified rocks.
<b>Triassic</b>	Earliest (251–199.6 Ma) of the three periods of the Mesozoic Era.

**VMS**

Volcanogenic massive sulphide deposits formed in close temporal association with submarine volcanism by hydrothermal circulation and exhalation of sulphides which are independent of sedimentary processes. When deposited into sedimentary rocks may be termed Besshi Style VMS.

**Zinc**

Zinc is a chemical element with symbol Zn and atomic number 30. It is the first element in group 12 of the periodic table.

## PART XX

### ABBREVIATIONS AND UNITS OF MEASUREMENT

<b>%</b>	percent
<b>°C</b>	degrees Celsius
<b>Ag</b>	silver
<b>Au</b>	gold
<b>BaSO<sub>4</sub></b>	barite
<b>Cu</b>	copper
<b>FT</b>	flotation test
<b>g</b>	gram(s)
<b>g/t</b>	grams per tonne
<b>ha</b>	hectare(s)
<b>IP</b>	induced polarisation
<b>JORC Code</b>	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
<b>kg</b>	kilogram(s)
<b>km</b>	kilometre(s)
<b>km<sup>2</sup></b>	square kilometre(s)
<b>koz</b>	kilo-ounces
<b>kt</b>	kilo-tonnes
<b>LCT</b>	locked cycle test
<b>LiDAR</b>	light detection and ranging (survey)
<b>M</b>	million(s)
<b>m</b>	metre(s)
<b>mm</b>	millimetre(s)
<b>MRE</b>	Mineral Resource estimate
<b>Mt</b>	million tonnes
<b>Mtpa</b>	million tonnes per annum
<b>NPV</b>	net present value
<b>oz</b>	ounce(s)
<b>Pb</b>	lead
<b>PDP3D</b>	pole-dipole three-dimensional
<b>QAQC</b>	quality assurance and quality control
<b>SedEx</b>	sedimentary exhalative
<b>SHMS</b>	shale-hosted massive sulphide
<b>VMS</b>	volcanogenic massive sulphide
<b>Zn</b>	zinc
<b>ZnEq</b>	zinc equivalent

**PART XXI**  
**COMPETENT PERSON'S REPORT**



**CSA Global**  
Mining Industry Consultants

## **COMPETENT PERSON'S REPORT**

### **Adriatic Metals Plc Vareš Project**

CSA Global Report N° R350.2019  
21 November 2019

[www.csaglobal.com](http://www.csaglobal.com)

## Report prepared for

Client Name	Adriatic Metals Plc
Project Name/Job Code	ADTSST01_V1
Contact Name	Paul Cronin
Contact Title	Director
Office Address	Second Floor, Stamford House, Regent Street, Cheltenham, GL501HN


## Report issued by

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Division	Corporate

## Report information

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## Author and Reviewer Signatures

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CSA Global Authorisation	Galen White B.Sc. (Hons), FAusIMM, FGSL	Signature:	 <small>Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication. Electronic signature not for duplication.</small>

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# Disclaimers

## Notice to third parties

CSA Global Pty Ltd (“CSA Global”) has prepared this Report having regard to the particular needs and interests of Adriatic Metals Plc (“the Client”), and in accordance with their instructions. This Report is not designed for any other person’s particular needs or interests. Third party needs, and interests may be distinctly different to the Client’s needs and interests, and the Report may not be sufficient nor fit or appropriate for the purpose of the third party.

CSA Global expressly disclaims any representation or warranty to third parties regarding this Report or the conclusions or opinions set out in this Report (including without limitation any representation or warranty regarding the standard of care used in preparing this Report, or that any forward-looking statements, forecasts, opinions or projections contained in the Report will be achieved, will prove to be correct or are based on reasonable assumptions). If a third party chooses to use or rely on all or part of this Report, then any loss or damage the third party may suffer in so doing is at the third party’s sole and exclusive risk.

CSA Global has created this Report using data and information provided by or on behalf of the Client [and the client’s agents and contractors]. Unless specifically stated otherwise, CSA Global has not independently verified that all data and information is reliable or accurate. CSA Global accepts no liability for the accuracy or completeness of that data and information, even if that data and information has been incorporated into or relied upon in creating this Report.

## Purpose of this document

This Report was prepared exclusively for Adriatic Metals Plc (“the Client”) by CSA Global Pty Ltd (“CSA Global”). The quality of information, conclusions, and estimates contained in this Report are consistent with the level of the work carried out by CSA Global to date on the assignment, in accordance with the assignment specification agreed between CSA Global and the Client.

## Results are estimates and subject to change

The interpretations and conclusions reached in this Report are based on current scientific understanding and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty.

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond CSA Global’s control and that CSA Global cannot anticipate. These factors include, but are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

## Executive Summary

CSA Global (UK) Ltd (CSA Global) was requested by Adriatic Metals Plc (“Adriatic” or the “Company”) to prepare a Competent Person’s Report (CPR) for use in a prospectus prepared in connection with the proposed listing of the Company’s ordinary shares on the Main Market (Standard Segment) of the London Stock Exchange. This document covers Adriatic’s Vareš Project in Bosnia and Herzegovina, which is an Advanced Exploration Project. Mineral Resources have been estimated for the Veovača and Rupice polymetallic deposits and a Scoping Study prepared over the Project, with moderate to high grades of zinc, lead, copper, silver, gold and barite present in potentially economic quantities.

The Scoping Study referred to in this report constitutes a conceptual study based on low-level technical and economic assessments. Conceptual capital and operating costs set out in the study are considered to have an accuracy of +/- 40%. The technical and economic assessment is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

The CPR and the material information relating to the estimation of Mineral Resources and the preparation of the Scoping Study has been prepared by CSA Global in accordance with the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (2012 Edition) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (“the JORC Code”).

The project area is located approximately 50 km north of the capital of Bosnia and Herzegovina, Sarajevo, in the district of Vareš. Lead, zinc and iron deposits in the Vareš district were first exploited in medieval times and throughout the Austrian-Hungarian period. In the late 1890s, iron ore mining and downstream iron and steel manufacturing was established at Vareš and Vareš Maden, and these works continued for almost a century. Modern exploration by parastatal company, Energoinvest, commenced in the late 1940s under the former Socialist Federal Republic of Yugoslavia. Exploration peaked during the 1960s to the 1980s and included drilling and limited underground workings, principally at Veovača, Orti, Droscovac, Rupice and Borovica. The Veovača deposit was mined as an open pit operation for lead, zinc and barite from 1983 to 1987. By the end of the 1980s, all the mines in and around Vareš had closed for reasons of political instability.

Adriatic, through its wholly owned local subsidiary company, Eastern Mining doo (Eastern Mining) owns 100% of a Concession comprising five individual licences, which includes non-contiguous areas covering the entirety of the Veovača and Rupice deposits as defined to date. Eastern Mining is the first company to undertake any exploration at the deposits and in the surrounding Vareš district since the late 1980s.

Adriatic has compiled data from historical exploration activities on the Concession and surrounding areas and has completed recent exploration works, including drilling, leading to public reporting of the current Mineral Resource statements under the JORC Code. Adriatic’s exploration activities have focused on the Rupice and Veovača areas and have included geophysical programs and soil geochemical programs, in addition to drilling at Veovača and Rupice.

The mineralisation in the Vareš district is hosted by sedimentary rocks deposited in the Triassic in a rift setting that evolved to a carbonate platform. Alkalic volcanic rocks in the rift sequence attest to the high heat-flow setting of the rift that subsequently evolved to the Vardar Ocean domain. The host stratigraphy was deformed during the Alpine orogenic event accompanying collision of Europe and Africa, with the Dinaride orogen in the Balkans reflecting closure of the Vardar Ocean.

The Vareš mineralisation is of stratabound replacement style within carbonate-bearing rocks, including dolostone, dolomitic marl, and dolomitic breccia. Mineralisation varies from massive to disseminated and vein style and is characterised by iron carbonate, barite, and sulphides including pyrite, sphalerite, galena,

chalcopyrite and a range of polymetallic sulphosalts including tetrahedrite and boulangerite. Mineralisation is characterised by a metal association including zinc, lead, copper, silver, gold, arsenic, antimony and mercury. The iron ore deposits in the district are characterised by siderite and hematite and also show elevated contents of similar metals and barite suggesting a common origin.

The updated Veovača Mineral Resource estimate (MRE) is summarised in Table 1 (see MRE press release (Adriatic, 23 July 2019) for full disclosure of JORC Table 1 details). Note that the previous MRE at 1 January 2018 did not include gold and silver for the full extents of the mineralisation model. The 2019 drilling has now infilled areas where previously there was insufficient data to estimate silver and gold mineralisation.

Table 1: Veovača Mineral Resources as at 1 June 2019

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Zn (kt)	Pb (kt)	BaSO <sub>4</sub> (kt)	Au (koz)	Ag (Moz)
Indicated	5.3	1.6	1.0	16	0.1	50	83	55	860	14	9
Inferred	2.1	1.1	0.5	6	0.1	17	23	11	123	4	1
<b>Total</b>	<b>7.4</b>	<b>1.4</b>	<b>0.9</b>	<b>13</b>	<b>0.1</b>	<b>41</b>	<b>106</b>	<b>66</b>	<b>984</b>	<b>18</b>	<b>10</b>

Notes:

- Mineral Resource classifications are based on JORC Code definitions.
- The figures presented above are both gross and 100% net attributable to Adriatic.
- The operator is Adriatic
- Source: The Competent Person for the MRE is Mr Dmitry Pertel, a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and employed by CSA Global.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 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<sub>4</sub>, US\$1,400/oz for gold and US\$15/oz for silver.
- The applied formula was:  $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\%$ .
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- It is the opinion of Adriatic and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- A bulk density was calculated for each model cell using regression formula  $BD = 2.70855 + BaSO_4 * 0.01487 + Pb * 0.03311 + Zn * 0.03493$ .
- Rows and columns may not add up exactly due to rounding.

The maiden Rupice MRE is summarised in Table 2 (see MRE press release (Adriatic, 23 July 2019) for full disclosure of JORC Table 1 details). The MRE has been reported in accordance with the JORC Code and it is therefore suitable for public release.

Table 2: Rupice Mineral Resources as at 1 June 2019

JORC classification	Tonnes (Mt)	Grades						Contained metal					
		Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (kt)	Pb (kt)	BaSO <sub>4</sub> (kt)	Au (koz)	Ag (Moz)	C (kt)
Indicated	7.5	5.7	3.7	34	2.0	207	0.6	430	278	2,590	470	50	46
Inferred	1.9	2.5	1.6	18	0.9	86	0.3	50	30	330	60	5	6
<b>Total</b>	<b>9.4</b>	<b>5.1</b>	<b>3.3</b>	<b>31</b>	<b>1.8</b>	<b>183</b>	<b>0.6</b>	<b>480</b>	<b>310</b>	<b>2,920</b>	<b>530</b>	<b>55</b>	<b>52</b>

Notes:

- Mineral Resource classifications are based on JORC Code definitions.
- The figures presented above are both gross and 100% net attributable to Adriatic.
- The operator is Adriatic
- Source: The Competent Person for the MRE is Mr Dmitry Pertel, a Member of the AusIMM and employed by CSA Global.
- A cut-off grade of 0.6% ZnEq has been applied.

- *ZnEq – Zinc equivalent was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 1.80 for gold, 0.019 for silver and 2.40 for copper, 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<sub>4</sub>, US\$1,400/oz for gold, US\$15/oz for silver and US\$6,000 for copper.*
- *The applied formula was:  $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\% + Cu\% * 2.4 * 90\%$ .*
- *It is the opinion of Adriatic and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.*
- *Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.*
- *A bulk density was calculated for each model cell using regression formula  $BD = 2.88143 + BaSO_4 * 0.01555 + Pb * 0.02856 + Zn * 0.02012 + Cu * 0.07874$  for the barite high-grade domain and  $BD = 2.76782 + BaSO_4 * 0.01779 + Pb * 0.03705 + Zn * 0.02167 + Cu * 0.07119$  for the barite low-grade domain (the barite domains were interpreted using 30% BaSO<sub>4</sub>).*
- *Rows and columns may not add up exactly due to rounding.*

Whilst the Vareš deposits are primarily considered as lead and zinc deposits with precious metal credits, Adriatic is also considering the potential to mine and produce barite, an industrial mineral, as a by-product. Clause 49 of the JORC Code requires industrial minerals to be reported in terms of the mineral or minerals on which the project is to be based and must include the specification of these minerals. Key characteristics including likely product specifications, proximity to markets and general marketability have been considered both in disclosure of the MRE and in the preparation of the Scoping Study. The Competent Persons are satisfied that this information supports the inclusion of barite in the MRE and subsequent downstream technical evaluation. Additional detail surrounding Clause 49 is provided in the report body.

The Scoping Study of the Rupice and Veovača polymetallic projects supports the concept of a potentially economically viable underground mining operation at Rupice which is then replaced by a lower grade conventional surface mine at Veovača, supplying material at a production rate of 800 kpta to the hydrometallurgical processing plant to produce a silver/lead, zinc and barite concentrate for a Life of Mine of approximately 14.5 years. The economic evaluation indicates a conceptual NPV of US\$917 million using a discount rate of 8% (other discount rates are also set out for comparison), with an Internal Rate of Return of 107 % calculated on a Post-Tax basis with 100% attributable equity.

The Mineral Resources estimated at Veovača and Rupice have potential for extension and for enhanced classification based on additional drilling to increase the level of confidence in the estimates. Additional economic studies and testwork are required to progress the project towards the eventual declaration of Ore Reserves.

Metallurgical testwork has been performed at the laboratories of Wardell Armstrong International. The majority of the testwork was undertaken on samples (Average grade composite; High grade composite; and high-grade copper composite) from the Rupice deposit being the highest grade and largest resource, but testwork was also undertaken on an Average Grade sample originating from the Veovača deposit.

Testwork to date has shown that the sulphide minerals tend to be fine grained and a primary grind size of 80% passing 40 µm is required to ensure sufficient liberation of the different sulphide minerals. Further, the results demonstrate the amenability of the Rupice/ Veovača ore to differential flotation to produce separate marketable silver-lead, zinc and barite concentrates at acceptable recoveries. There remain concerns about the presence of contaminant elements (such as arsenic and mercury) in the final concentrate products and further testwork is required. Depending on which smelter is ultimately used, there is potential for minimal penalties in relation to the value of lead and zinc concentrates, especially for the Rupice concentrates.

Marketing studies have been undertaken by both Bluequest, regarding the base metal concentrates, and TAK Industrial Mineral Consultancy (TAK), regarding barite. The Bluequest study provides a comprehensive insight into potential treatment and refining charges plus marketing fees for several lead and zinc smelters, including rationales for penalty element deductions. The TAK report is an update to a

2017 report by Peter Harben Inc. and summarises the global market, the historic supply and demand for barite and the qualities required (under American Petroleum Institute (API) standards).

Considering the high grade of the Rupice deposit, the base case extraction strategy for the mine design and evaluation is for the extraction of Rupice as the primary ore source using underground long-hole open stoping with fill and also cut & fill methods, transporting Run of Mine ore (RoM) via on-highway haul trucks some 28km to the site of the processing plant site located in close proximity to the town of Vareš. The base case Rupice mining schedule focuses on extraction of the highest grades within the deposit during the early years of operation.

The haul trucks returning to the Rupice mine, during the underground mining operations, will haul dewatered tailings from the processing plant back to the paste-fill plant at Rupice for the purposes of placing cement paste-fill into the underground stope voids.

A trade-off study to examine the potential to open pit the relatively shallow Rupice deposit has been undertaken, but taking into consideration reasonable mining limits, the surrounding topography and the geometry and orientation of the orebody it became apparent that open pit mining was not sustainable due to the excessive strip ratio and the lack of suitable waste rock storage space.

The haul road linking Rupice to the proposed plant at Veovača has been designed to avoid existing communities. It is however routed over mountainous terrain that can be impacted by climatic conditions during the winter months. Further work is required to ensure a safe and productive haul road design, including a trade-off to examine a ropeway option.

The secondary ore source at Veovača, located in close proximity to the process plant location, will replace the ore supply to the processing plant at 800 ktpa after about ten years, once the Rupice deposit has been depleted. Mining will be by conventional open pit methods, requiring deepening of the existing open pit.

CSA Global recommends the following to enhance the effectiveness of targeting Mineral Resource estimation and further mining and economic study (Pre-Feasibility Study);

- Develop a central master drillhole database for the project with appropriate data management protocols.
- Maintain quality assurance/quality control procedures to ensure high-quality data is available to support future MREs and mining studies.
- Advance drill definition of the Rupice and Veovača deposits as a high priority and progress geological and mining studies to optimise the economic evaluation of the deposits.
- Complete integrated geological, structural, lithogeochemical and alteration studies, interpretation and modelling at Rupice and Veovača to improve understanding, target additional mineralisation, intergrate with geophysical exploration and to optimise modelling and targeting of resource extensions. This should be integrated in to a geometallurgical study to model variability of mineralisation to feed in to additional teswork.
- Include focused structural and geological mapping and logging of the deposit areas and, in this process, improve the routine logging procedures and coding system to align with acquisition of key geological data.
- In particular, investigate the development of models for distribution and estimation of the complex mineralogy and metal distribution, including payable and potentially deleterious elements.
- Use the improved geological understanding to refine the ranking and prioritisation of additional prospects within the current granted Concession areas and undertake focused exploration on prioritised targets within granted tenure.

- Evaluate ground and airborne geophysical surveys based on results of geophysical property testwork to better understand potential magnetic, electromagnetic and induced polarisation response of mineralisation and alteration.
- Updates to Mineral Resources based on ongoing infill and de-risking drilling with improved understanding of domains via geological and geometallurgical investigations.
- Targeted drilling of orientated drill core to gather geotechnical data, improve structural logging of drill core, complete mechanical characterisation of domains and rock strengths and examination of aspects of Rupice infrastructure planning in relation to RAW locations and proximity to major structures.
- Conduct additional studies to improve the level of understanding relating to the hydrology and hydrogeology at the Rupice deposit. This additional information would also increase the confidence with regards to predictions for mine water management at Rupice and Veovača deposits, specifically with the intention of securing water supply to the processing plant.
- Improve mining operating cost, benefitting from detailed mining contractor quotations. Review haul-road routing between Rupice and Veovača and consider ropeway trade-offs.
- Review the mining plan for Rupice with any revised resource models, updated smelter TCs & RC, and commodity pricing. Consider implications of any penalty elements and examine blending options.
- Conduct the necessary engineering work to determine the optimum parameters for the cemented paste fill. Review infrastructure layout considering updated geomechanical domains and structure model.
- It is evident that liberation of the valuable minerals should be the major focus for further improvements to metallurgical performance. Regrinding of rougher concentrates to the ultra-fine size (10 µm to 15 µm) indicated by petrographic and mineralogical examinations is required to produce a separate saleable copper concentrate.
- Further test work on other unit processes (DMS pre-concentration, ore grinding characteristics and ancillary processes) may be beneficial for cost benefit analysis, to improve design confidence and to optimise capital and operating cost estimates.
- Additional technologies need to be explored to reduce the potential penalty elements reporting to the final metal concentrates. Further consideration needs to be given to exploring technologies for, and the economics of, depletion of these elements in addition to roasting, such as the Toowong Process™, Sunshine Process and Equity Process
- Carry out further testing to produce a saleable barite concentrate from the Veovača material.
- The metallurgical studies will need major enhancement, as the information is, thus far, limited. It will be important to ensure that the quality, with particular reference to deleterious elements, sulphur content, iron and other major elements and compounds is more certain, particularly for the early years of production. Improvements in quality assurance will facilitate more ease of marketing the material and drive better terms. Radiation testing, though 'seemingly' unnecessary should be made to eliminate potential surprises later.
- In relation to marketing it will be important, once more data has been gathered on the quality aspect of the concentrate, to begin early-stage marketing with smelters. Budgeting for the costs of enhanced marketing will therefore be needed to be taken into account in any further financial analysis.
- The logistics studies will require enhancement, as progress is made on the PFS. Further detailed analysis and multiple quotes from truckers, warehouses and handling agents will be needed to assure management that a rigorous analysis has been made and that the chosen method and costings will be verifiable and assured. Significant changes to the cost of transportation may make a material impact on the economics of the project. More analysis of potential ocean freight rates would, for

instance, appear to be a prudent step. Potential for ecological damage to the environment will be lowered using a Rotainer® type system, but if other bulk transport alternatives are considered it will be important for Adriatic to be reassured that a high degree of product stewardship will be maintained, to avoid any unnecessary media or NGO issues.

- Continue to identify likely requisition of property required for the Project assets and infrastructure and continue current discussions/negotiations for acquisition/resettlement preferences and plans.
- Clearly identify pre-existing contamination sources and ensure accurate soil quality mapping as part of the baseline studies to ensure legacy issues are not linked to the Project, and to aid clean-up and rehabilitation.
- Undertake comprehensive geotechnical and water quality assessments of the existing TSF to ensure structural stability and to better inform design and planned engineering for future tailings facility expansion as required.
- Undertake detailed geochemical testwork, ideally using samples from recent drilling programmes that are representative of ore and waste materials anticipated from the project operations. Representative sample selection, preparation, testwork and analyses can be time consuming and initial studies should be started as soon as possible. Geochemical studies should however continue and progress through levels of detail in-line with scoping, PFS and FS.
- Initiate early and inclusive stakeholder engagement to keep affected communities and the wider public aware of Project plans and intentions; to determine any concerns; and to ensure inclusion of suitable mitigations to allow Project social licence.

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# 1 Introduction

## 1.1 Context, Scope and Terms of Reference

CSA Global (UK) Ltd (CSA Global) was requested by Adriatic Metals Plc (“Adriatic” or the “Company”) to prepare an Independent Competent Person’s Report (CPR) for use in a prospectus to support a listing on the Standard Segment of the Main Market of the London Stock Exchange (LSE), planned for Q4, 2019. Adriatic is a UK-based exploration and mineral development company, listed on the Australian Securities Exchange (ASX).

This CPR covers the Vareš Project (the “Project”) in Bosnia and Herzegovina (BiH) for which Mineral Resources have been estimated at Veovača and Rupice and a Scoping level technical and economic study recently completed. In addition it summarises the exploration potential of the Vareš Project from Smailova to Rupice.

The Scoping Study referred to in this report constitutes a conceptual study based on low-level technical and economic assessments. Conceptual capital and operating costs set out in the study are considered to have an accuracy of +/- 40%. The technical and economic assessment is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.

The CPR and the material information relating to the estimation of Mineral Resources and the preparation of a Scoping Study have been prepared by CSA Global in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy (AusIMM), Australian Institute of Geoscientists (AIG) and Mineral Council of Australia, as amended (JORC).

In preparing this CPR, CSA Global:

- Adhered to the JORC Code.
- Relied on the accuracy and completeness of the data provided to it by Adriatic, and that Adriatic made CSA Global aware of all material information in relation to the projects. For the purposes of Prospectus Regulation Rule 5.3.3R(2)(f) from the Financial Conduct Authority (FCA), CSA Global accepts responsibility for the information contained in this CPR. To the best of our knowledge, the information contained in this CPR is in accordance with the facts and the CPR makes no omission likely to affect its import.
- Drew on technical appraisal and first-hand knowledge of the Project through its recent and current involvement in the Project, as technical advisors, with specific reference to the estimation of Mineral Resources and preparation of the Scoping Study.
- Relied on Adriatic’s representation that it will hold adequate security of tenure for exploration and assessment of the projects to proceed.
- Required that Adriatic provide an indemnity to the effect that Adriatic would compensate CSA Global in respect of preparing the CPR against any and all losses, claims, damages and liabilities to which CSA Global or its Associates may become subject under any applicable law or otherwise arising from the preparation of the CPR to the extent that such loss, claim, damage or liability is a direct result of Adriatic or any of its directors or officers knowingly providing CSA Global with any false or misleading information, or Adriatic, or its directors or officers knowingly withholding material information.

## 1.2 Adherence to Reporting Code Guidelines

This CPR has been prepared in accordance with the JORC Code and the rules and guidelines issued by the FCA for the requirements of a CPR, taking cognisance of the European Securities and Markets Authority requirements for technical reports accompanying prospectuses.

## 1.3 Principal Sources of Information and Reliance on Other Experts

CSA Global has based its review of the Project on information made available to the principal authors by Adriatic along with technical reports prepared by consultants, including CSA Global itself, government agencies and previous tenements holders, and other relevant published and unpublished data. CSA Global has also relied upon discussions with Adriatic's management for information contained within this assessment. This CPR has been based upon information available up to and including 21 November 2019.

CSA Global has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy, and completeness of the technical data upon which this report is based. Unless otherwise stated, information and data contained in this technical report or used in its preparation has been provided by Adriatic in the form of documentation.

Adriatic was provided a final draft of this CPR and requested to identify any material errors or omissions prior to its lodgement.

Descriptions of the mineral tenure, tenure agreements, encumbrances and environmental liabilities were provided to CSA Global by Adriatic or its technical consultants. Adriatic has warranted to CSA Global that the information provided for preparation of this CPR correctly represents all material information relevant to the Project. Full details on the tenements is provided elsewhere in the prospectus.

## 1.4 Authors of the Competent Person's Report

CSA Global is a privately owned, mining industry consulting company headquartered in Perth, Western Australia. CSA Global provides geological, resource, mining, management and corporate consulting services to the international resources sector and has done so for more than 30 years.

This CPR has been prepared by a team of consultants sourced principally from CSA Global's UK office and Perth, Western Australia office. The individuals who have provided input to the CPR have extensive experience in the mining industry and are members in good standing of appropriate professional institutions. The Consultants preparing this CPR are specialists in the fields of geology, exploration and Mineral Resource estimation.

The following individuals, by virtue of their education, experience and professional association, are considered Competent Persons, as defined in the JORC Code (2012), for this CPR. The Competent Persons' individual areas of responsibility are presented below:

- **Coordinating author – Mr Galen White.** Possesses over 23 years of continual mining industry experience including nine years in operations and over 14 years in consulting covering; technical geological investigations, project management, mineral resource development and estimation, economic studies, project evaluation, due diligence studies, expert reporting and geo-corporate advice. Galen coordinated the compilation of this technical report and contributed to aspects of its content with specific emphasis on ensuring compliance with technical reporting guidelines of the LSE.
- **Contributing author – Dr Neal Reynolds (PhD, FAusIMM, MAIG).** Geologist with more than 30 years' global experience in exploration and evaluation of mineral deposits and specialist expertise in sediment-hosted base-metal mineral systems. Neal has completed or contributed to multiple technical reports for use in prospectuses for initial public offerings on the LSE, AIM, TSX, TSX-V and the ASX. Neal undertook a geologically focused evaluation of the Vareš Project including a site visit in August 2019.

- **Contributing author – Mr Dmitry Pertel.** Dmitry has over 26 years of geological experience in mining, exploration and field work, office and operations establishment and management together with specific skills in mining and geological computer applications using Datamine, Micromine and other software, database management, resource modelling and evaluation, consulting, due diligence services and audits. Dmitry has contributed to multiple technical reports for use in prospectuses on the ASX, LSE and AIM. Dmitry undertook Mineral Resource evaluation of the Vareš Project, including a site visit in July 2019.
- **Contributing Author – Mr Bruce Pilcher.** Bruce is a Mining Engineer with over 30 years' experience in surface and underground mining operations and as a consultant has extensive expertise in the review, audit and evaluation of, and completion of technical and economic studies of mining projects. Bruce assumes the role of Competent Person for the disclosure of the Scoping Study information pertaining to the Vareš Project, set out in this document.
- **Peer reviewer – Dr Brendan Clarke (PhD, BSc (Hons), Pr.Sci.Nat., FGSSA).** With 19 years of mineral exploration and project development experience, Brendan is highly experienced in target generation, exploration program implementation and management. Brendan has a strong understanding of many deposit styles and has experience in the exploration for deposit styles similar to those in this CPR. He has been involved in the preparation of technical reports for use in prospectuses for initial public offerings on the LSE, AIM, TSX, TSX-V and the ASX.

## 1.5 Independence

Neither CSA Global, nor the authors of this CPR, has or has had previously, any material interest in Adriatic or the mineral properties in which Adriatic has an interest. CSA Global's relationship with Adriatic is solely one of professional association between client and independent consultant.

CSA Global is an independent geological consultancy, part of the ERM Group. Fees are being charged to Adriatic at a commercial rate for the preparation of this report, the payment of which is not contingent upon the conclusions of the CPR or the admission or value of Adriatic.

CSA Global has no economic or beneficial interest (either present or contingent) in Adriatic or any of its assets nor is any employee of CSA Global a director (or is intended to be a director), officer or other direct employee of Adriatic. No member or employee of CSA Global has, or has had, any shareholding in Adriatic.

There is no agreement between CSA Global and Adriatic as to Adriatic providing further work for CSA Global.

## 1.6 Declarations

### 1.6.1 Purpose of this Document

This report has been prepared by CSA Global at the request of, and for the sole benefit of Adriatic and its advisors, for inclusion in a prospectus document in relation to a proposed listing of the Company's ordinary shares on the Main Market (Standard Segment) of the LSE. Its purpose is to provide a CPR of Adriatic's Vareš Project in BiH.

This CPR is to be included in its entirety or in summary form within a prospectus to be prepared by Adriatic in connection with the proposed listing. It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

The statements and opinions contained in this CPR are given in good faith and in the belief that they are not false or misleading. The conclusions are based on the reference date of 21 November 2019 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

### 1.6.2 Competent Person's Statement

The information in this CPR that relates to Technical Assessment of the geological setting of the Project, Exploration Targets or Exploration Results is based on information compiled and conclusions derived by Dr Neal Reynolds, a Competent Person who is a Fellow of the AusIMM and a member of the AIG. Dr Reynolds is employed by CSA Global.

The information in this report that relates to Technical Assessment of Mineral Resources is based on information compiled and conclusions derived by Mr Dmitry Pertel, a Competent Person who is a Member of the AusIMM. Mr Pertel is employed by CSA Global.

The information in this report that relates to Technical Assessment contained within the Scoping Study is based on information compiled and conclusions derived by Mr Bruce Pilcher, a Competent Person who is a Fellow of the AusIMM. Mr Pilcher is employed by CSA Global.

The information in this report that relates to Technical Assessment of the field visit and laboratories is based on information compiled and conclusions derived by Dr Belinda van Lente, a Member of the South African Council for Natural Scientific Professions, and a Member of the Geological Society of South Africa, qualifying Dr van Lente as a Recognised Overseas Professional in accordance with the requirements of the JORC Code. Dr van Lente is employed by CSA Global.

The overall coordinating author of this technical report is Mr Galen White, a Competent Person who is a Fellow of the AusIMM. Mr White, Dr Reynolds, Mr Pertel and Mr Pilcher have sufficient experience that is relevant to the Technical Assessment of the Mineral Assets under consideration, the style of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr White, Dr Reynolds, Mr Pertel and Mr Pilcher consent to the inclusion in the CPR of the matters based on their information in the form and context in which it appears.

### 1.6.3 Site Inspection

Site inspections have been completed by Dr Reynolds and Mr Pertel during the course of preparing this independent technical report:

- Dr Reynolds visited the site between 31 July 2019 and 1 August 2019 for a total of two days. During the visit, Dr Reynolds inspected drill core from the Veovača and Rupice deposits, completed a site visit to each of the deposits, and reviewed geological interpretations and models with the Adriatic technical team.
- Mr Pertel visited the site between 22 July 2019 and 26 July 2019 for a total of four days. During the visit, Mr Pertel visited both sites, inspected drill core, reviewed current drilling activities and inspected core processing facilities.

Additional site visits have been undertaken by CSA Global consultants in 2018 and 2019 in relation to the compilation of previous independent technical reporting and ongoing consultant support to the Project. These include:

- A visit by a CSA Global Principal Mining Engineer (June 2019) to visit both sites and surrounding areas for the purposes of assessing site layout and infrastructure.
- A visit by a CSA Global Principal Resource Geologist (January 2018) for the purposes of visiting both sites, inspecting drill core and completing laboratory visits to inspect sample preparation and analysis facilities.

CSA Global recognise the potential for lead, zinc and copper, with associated barite, gold and silver mineralisation on the Veovača and Rupice deposits based on the data available, studies completed to date

and following the site inspections. The proposed activities of Adriatic's work program are considered appropriate for the next stage of target development and testing.

### **1.7 About this Competent Person's Report**

This CPR describes Adriatic's Vareš Project and mineral assets located in BiH. The geology and mineralisation for each tenement or Project area are discussed, as well as the exploration work completed, and the results obtained therefrom. Information relating to data and quality assurance and quality control (QAQC) for the Mineral Resource estimates (MREs) is drawn from published Mineral Resource statements prepared by CSA Global with Mr Bob Annett (a Consultant to Adriatic) and Mr Dmitry Pertel (a Principal Consultant from CSA Global) as principal authors and Competent Persons. In addition information is drawn from the recently completed Scoping Study, managed by CSA Global and which includes data and information prepared by CSA Global and additional consultants and third parties engaged by AML. An effort was made to summarise this body of work in order to contain the size and readability of the CPR.

No Mineral Reserves have been declared for the Project.

## 2 Vareš Project

### 2.1 Location, Access and Infrastructure

The Vareš Project is located near the mining town of Vareš approximately 50 km north of the capital, Sarajevo, and about 50 minutes by car via the Sarajevo–Zenica freeway to Podlugovi, then a sealed road to Vareš. The town of Vareš is the administrative centre for the district (Figure 1 and Figure 2).



Figure 1: Location of BiH and the Project area  
Source: CSA Global (2019A)

### 2.2 Climate, Topography and Vegetation

#### 2.2.1 Climate

The area has a continental climate partially affected by the generally mountainous terrain with cool summers and cold winters. Average annual temperature is 7°C with temperatures in excess of +30°C recorded in the summer months of July–August, and temperatures of up to -20°C in January. The average annual rainfall is 1,150 mm, with rain falling year-round as short heavy downpours. Snow is common throughout the winter months with falls of over 2 m, although rarely staying on the ground for long periods.

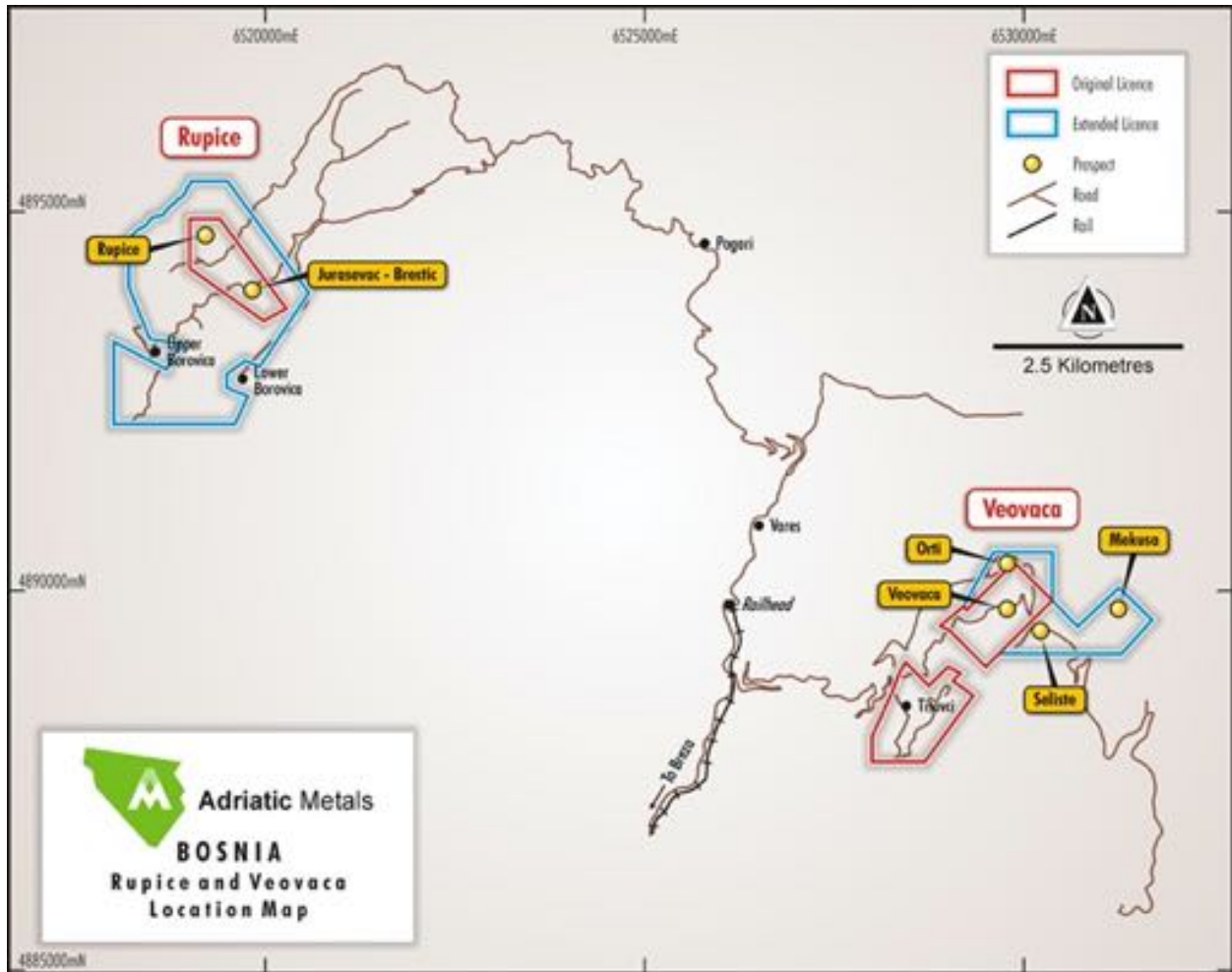


Figure 2: Location of the five licences that collectively comprise the Adriatic Concession  
 Source: Adriatic

### 2.2.2 Infrastructure

The Concession is located in the Vareš district of which Vareš (Figure 2) is the administrative centre, providing services and supplies. The capital, Sarajevo, is 50 minutes away and the international airport is 40 minutes away. Access between Veovača and Rupice projects is via 15 km of well-maintained sealed and unsealed roads. The project is at the exploration stage of development and Adriatic holds no mining equipment, plant or infrastructure on the project tenements.

### 2.2.3 Power

A national electricity grid is operated and maintained by the State company, JP Elektroprivreda BiH. Powerlines run to the open pit and abandoned processing facility at Veovača, and thereafter to nearby villages. Most of these lines deliver a 10 kV service.

### 2.2.4 Water

Local water is supplied to all surrounding villages and is maintained by JKP Vareš doo, a public company owned and operated by the Vareš council.

## 2.3 Ownership and Tenure

### 2.3.1 Legislative Framework

Three relevant pieces of legislation govern the exploration and exploitation of minerals in BiH:

- Concession law, which is localised to a canton (an administrative region), in this case the Zenica-Doboj canton
- The Law of Geological Explorations, which covers permitting related to geological exploration
- The Mining Law, which covers permitting after exploration (i.e. exploitation).

Importantly, neither exploration nor exploitation permits can be obtained until a concession has been granted by the relevant canton. Once this has been granted, exploration and exploitation applications are made in accordance with the exploration and Mining Laws as set out above.

The duration of exploration and exploitation rights are set out in the original agreement and these are not fixed in the legislation. The exploration law makes allowance for a single extension equal in time to the original period granted for the licence. An exploitation permit may be granted to the holder of an exploration permit after submitting technical documentation in accordance with the requirements set out by the Mining Law. Again, the Mining Law is non-specific regarding the duration/extent of an exploitation permit; this will be issued in accordance with the duration of the underlying Concession Agreement.

Royalty rates and tariffs are not legislated in the Mining Law. These fall under the concessional agreement with the relevant canton.

### 2.3.2 History and Tenure

Energoinvest, a parastatal exploration and mining company registered in Belgrade, commenced modern exploration in the Vareš area in the late 1940s at a time when Socialist Federal Republic of Yugoslavia was established under a communist government with all assets, including minerals, belonging to the State. Exploration and mining activities continued until 1992 when BiH declared its independence, and when bankruptcy proceedings were brought against many of the State companies, including Energoinvest and its assets.

Following bankruptcy proceedings against Energoinvest in November 2012, the Vareš Project (at that stage comprising the Veovača and Rupice licences without the extension discussed below) was sold to Balamara Resources Limited and Balkan Mining Pty Ltd who were shareholders of MM Project doo<sup>1</sup>.

Concessionary and associated exploration and exploitation rights for the Vareš Project were granted for 25 years on 12 March 2013 by the Ministry of Economy of the Zenica–Doboj Canton (the Concessor) under Concession Agreement number 04-18-21389-1/13. MM Project doo subsequently changed its name to Eastern Mining doo (Eastern Mining). Eastern Mining was acquired by Adriatic in February 2017 and is entirely owned by Adriatic.

In November 2018, Adriatic received a signed Concession Annexe agreement from the Premier and the Ministry of Economy of Zenica-Doboj Canton for an additional 452 ha of land in the Rupice-Borovica area, and an additional 132 ha in the Veovača-Orti-Mekuše-Selište area. This was approved by the Federal Ministry for Energy, Mining and Industry in March 2019, and an exploration permit was granted over these areas, expiring in March 2023. These areas, which together with the three original licences, comprise the “expanded Adriatic concession” and are shown in Figure 2. Under the concession, Adriatic is committed to a royalty payment of 1.5 BiH convertible mark (KM) per ROM tonne (equivalent to US\$0.57 per run of mine (ROM) tonne).

<sup>1</sup> A doo is the BiH equivalent of a Pty or plc company

The Vareš Project, as now defined in this CPR, comprises the expanded Adriatic Concession of 865.4 ha in three areas, two at Veovača covering the pit and plant site respectively are exploitation and exploration areas, while Rupice is an exploration area (Table 3).

Table 3: Tenement status

Project	Tenement	Area (ha)	Status
Vareš	Veovača II (Pit Site)	90.54	Exploitation permit expired, new exploitation permit application in progress.
	Veovača I (Plant Site)	107.68	Exploitation permit expired, new exploitation permit application in progress.
	Rupice-Juraševac-Brestic	83.18	Approved – exploration. Expiry date 25/05/2020; option to renew or apply for exploitation permit.
	Rupice-Borovica	452	Approved – exploration. Expiry date 04/03/2023.
	Veovača-Orti-Mekuše-Selište	132	Approved – exploration. Expiry data 04/03/2023.

Note: The tenements above are on the existing “expanded” Concession which is valid until 12/03/2023.

The coordinate points delimiting the currently active exploration tenements of Rupice-Juraševac-Brestic; Rupice-Borovica and Veovača-Orti-Mekuše-Selište are detailed below. The coordinate reference system is MGI 1901 Balkans Zone 6.

Table 4: Rupice-Juraševac-Brestic exploration tenement coordinates

Point no.	X	Y
I	6519000	4894900
II	6519400	4894900
III	6520275	4893720
IV	6519975	4893560
V	6519000	4894250

Table 5: Veovača-Orti-Mekuše-Selište exploration tenement coordinates

Point no.	X	Y
XV	6529250	4889750
XIV	6529205	4889795
2	6529600	4890510
3	6530375	4890510
XVII	6530375	4889875
XVI	6529875	4890375
XVII	6530375	4889875
5	6530710	4889531.18
6	6531255.66	4890040.76
7	6531693.77	4889618.37
8	6531289.95	4889170.73
9	6529672.14	4889172.14

Table 6: Rupice-Borovica exploration tenement conditions

1	6,518,200.00	4,894,637.04					
2	6,518,200.80	4,894,639.30					
3	6,518,205.70	4,894,648.80					
4	6,518,209.90	4,894,655.20					
5	6,518,217.90	4,894,665.80					
6	6,518,224.90	4,894,674.90					
7	6,518,231.90	4,894,682.40					
8	6,518,242.30	4,894,690.90					
9	6,518,255.20	4,894,701.00					
10	6,518,264.90	4,894,708.60					
11	6,518,272.90	4,894,714.40					
12	6,518,279.80	4,894,721.50					
13	6,518,284.80	4,894,727.40					
14	6,518,288.80	4,894,732.30					
15	6,518,290.86	4,894,736.64					
16	6,518,293.79	4,894,740.07					
17	6,518,299.43	4,894,748.07					
18	6,518,308.00	4,894,757.21					
19	6,518,314.86	4,894,762.43					
20	6,518,321.43	4,894,765.50					
21	6,518,327.57	4,894,768.43					
22	6,518,334.14	4,894,771.93					
23	6,518,341.79	4,894,774.71					
24	6,518,350.57	4,894,777.21					
25	6,518,358.07	4,894,779.07					
26	6,518,363.00	4,894,780.50					
27	6,518,368.43	4,894,783.21					
28	6,518,384.79	4,894,794.71					
29	6,518,396.36	4,894,802.21					
30	6,518,410.57	4,894,811.86					
31	6,518,421.00	4,894,820.93					
32	6,518,436.57	4,894,832.21					
33	6,518,444.21	4,894,838.50					
34	6,518,449.29	4,894,843.64					
35	6,518,455.14	4,894,851.14					
36	6,518,461.50	4,894,861.93					
37	6,518,468.07	4,894,873.43					
38	6,518,475.14	4,894,883.71					
39	6,518,484.07	4,894,896.93					
40	6,518,489.71	4,894,904.64					
41	6,518,497.14	4,894,910.57					
42	6,518,506.71	4,894,915.57					
43	6,518,516.14	4,894,919.79					
44	6,518,526.71	4,894,922.36					
45	6,518,540.21	4,894,925.14					
46	6,518,556.00	4,894,929.07					
47	6,518,574.57	4,894,934.86					
48	6,518,588.64	4,894,937.57					
49	6,518,610.86	4,894,941.00					
50	6,518,627.43	4,894,946.07					
51	6,518,641.86	4,894,951.43					
52	6,518,650.43	4,894,954.86					
53	6,518,654.00	4,894,957.50					
54	6,518,656.79	4,894,961.50					
55	6,518,660.14	4,894,967.79					
56	6,518,663.14	4,894,974.14					
57	6,518,668.79	4,894,985.00					
58	6,518,673.21	4,894,992.43					
59	6,518,677.36	4,894,998.00					
60	6,518,685.07	4,895,005.86					
61	6,518,697.64	4,895,018.50					
62	6,518,704.86	4,895,026.79					
63	6,518,720.57	4,895,045.00					
64	6,518,733.43	4,895,059.79					
65	6,518,741.36	4,895,068.79					
66	6,518,754.07	4,895,079.50					
67	6,518,769.93	4,895,092.86					
68	6,518,781.43	4,895,102.43					
69	6,518,791.93	4,895,109.57					
70	6,518,800.14	4,895,115.43					
71	6,518,812.21	4,895,123.64					
72	6,518,818.29	4,895,128.93					
73	6,518,823.14	4,895,135.29					
74	6,518,825.86	4,895,139.43					
75	6,518,831.00	4,895,146.21					
76	6,518,842.50	4,895,158.79					
77	6,518,849.00	4,895,163.93					
78	6,518,858.93	4,895,169.86					
79	6,518,871.50	4,895,175.14					
80	6,518,881.43	4,895,178.50					
81	6,518,886.57	4,895,181.00					
82	6,518,893.64	4,895,186.43					
83	6,518,900.36	4,895,194.86					
84	6,518,909.50	4,895,204.36					
85	6,518,919.50	4,895,216.36					
86	6,518,928.29	4,895,229.57					
87	6,518,938.86	4,895,243.14					
88	6,518,952.64	4,895,259.29					
89	6,518,955.00	4,895,263.64					
90	6,518,956.93	4,895,269.71					
91	6,518,958.64	4,895,282.79					
92	6,518,961.79	4,895,302.93					
93	6,518,964.21	4,895,310.71					
94	6,518,968.14	4,895,318.71					
95	6,518,974.57	4,895,328.07					
96	6,518,979.79	4,895,333.86					
97	6,518,985.36	4,895,338.29					
98	6,518,991.79	4,895,343.50					
99	6,518,997.79	4,895,348.29					
100	6,519,002.29	4,895,353.50					
101	6,519,005.64	4,895,360.43					
102	6,519,008.79	4,895,373.50					
103	6,519,011.29	4,895,380.93					
104	6,519,015.21	4,895,391.86					
105	6,519,018.29	4,895,400.00					
106	6,519,500.00	4,895,400.00					
107	6,520,571.09	4,893,929.71					
108	6,519,924.73	4,892,957.24					
109	6,519,733.10	4,893,031.79					
110	6,519,489.35	4,892,863.01					
111	6,519,489.35	4,892,677.06					
112	6,519,769.68	4,892,565.52					
113	6,519,600.00	4,892,200.00					
114	6,518,000.00	4,892,200.00					
115	6,518,000.00	4,893,283.39					
116	6,518,696.93	4,892,917.46					
117	6,518,864.61	4,893,258.61					
118	6,518,473.94	4,893,320.30					
119	6,518,200.00	4,894,000.00					

## 2.4 Geology

### 2.4.1 Regional Geology

The Vareš Project is located in the Dinarides, the geological domain that represents the southeast extension of the Alpine orogenic belt in the Balkans. The Dinaride orogen developed through opening and closure of the Vardar Ocean, a branch of the Neotethys Ocean, between the Adriatic terrane (Adria) and the Tisza-Dacia blocks and Moesian platform on the Eurasian terrane, as well as intervening arc belts.

Rifting in the Vardar belt commenced in the Lower to Middle Triassic and led to development of a passive margin carbonate platform on Adria from the Upper Triassic to Upper Jurassic (Schmid *et al.*, 2008). Ophiolite obduction of Vardar oceanic crust in the latest Jurassic or Lower Cretaceous occurred during the early convergent phase of the orogen. Convergence culminated in Palaeogene to Neogene closure of the Vardar Ocean during the Alpine orogeny which, at a larger scale, represented collision of Europe and Africa and closure of the Neotethys Ocean.

The Dinarides are comprised of the autochthonous western carbonate platform and a series of southwest-verging nappe belts to the east, developed during the Alpine collision event. The Vareš Project is located in the Durmitor Nappe comprising Palaeozoic basement and Triassic-Jurassic volcanic and sedimentary elements (Figure 3). West of the Durmitor Nappe, the Bosnian Flysch represents the passive margin of Adria lying east of, and largely younger than, the carbonate platform of the Dalmatian and High Karst zone. Together, the carbonate platform and Bosnian Flysch represent the autochthonous External Dinarides (or Outer Dinarides).

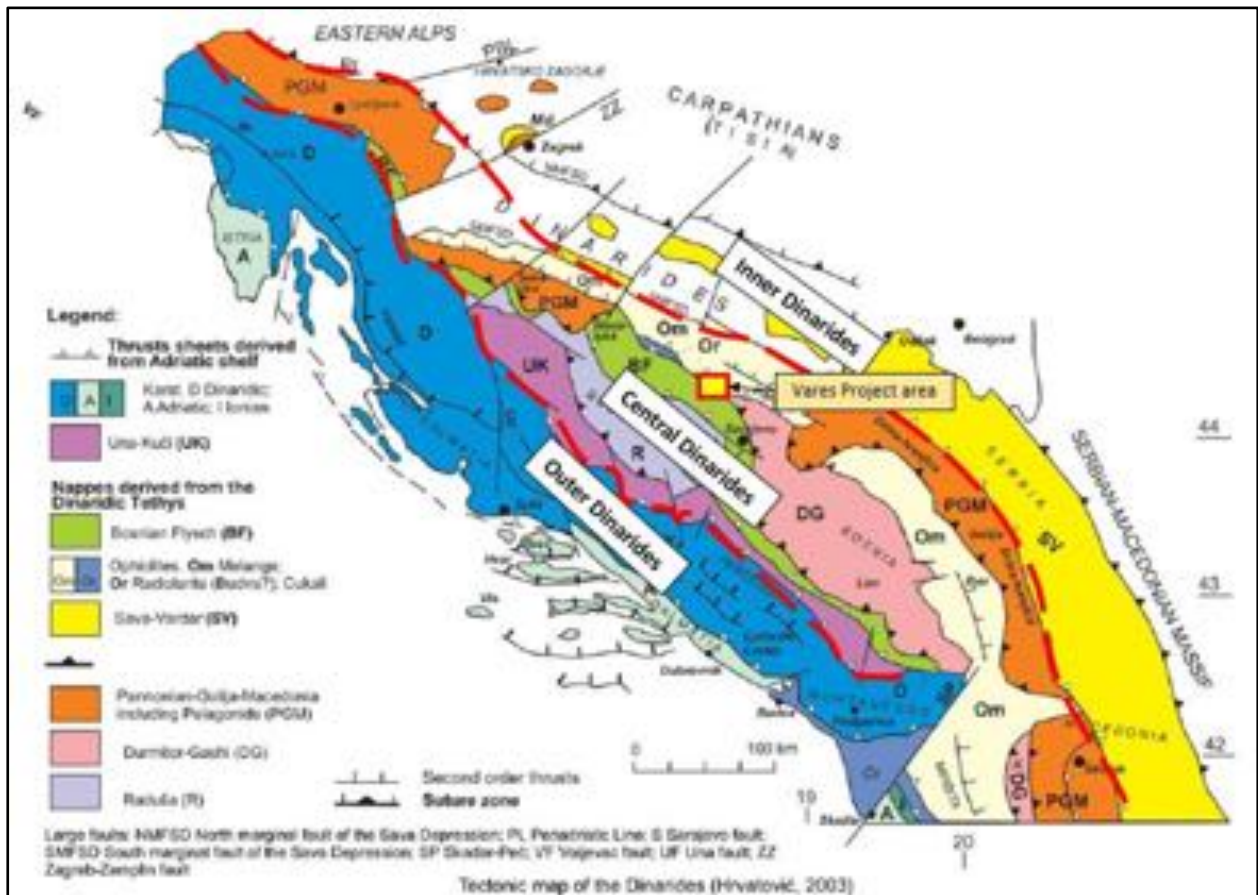


Figure 3: Geotectonic map of the Dinarides within the Balkan states  
 Source: Hrvatović (2003)

The Durmitor Nappe and Drina-Ivanjica Nappe to the east are tectonically overthrust by, and interleaved with, the Western Vardar ophiolite belt, comprising the Internal Dinarides (or Central Dinarides), representing the axial part of the rift basin overthrust by oceanic crust of the Vardar Ocean.

The Durmitor Nappe (Figure 4) is interpreted to include pre-rifting Palaeozoic basement, Lower to Middle Triassic rift-platform sequences, and deep-water Jurassic sequences. Ladinian (Middle Triassic) alkaline mafic volcanics mark a major extensional rift event and are overlain by platform sediments dominated by carbonate sediments with subordinate siliciclastic sediments. Rapid deepening resulted in deposition of deep-water limestones and radiolarian-bearing mudstones and chert in the Jurassic.

In the latest Jurassic, westward slab rollback culminated in collision with an intra-oceanic arc in the Vardar Ocean and resulted in ophiolite obduction onto the Adria passive margin. Flysch sedimentation continued in the Bosnian Flysch belt ahead of the obducted ophiolite. Final closure of the Vardar Ocean in the Late Cretaceous to Palaeogene resulted in development of the westward verging Dinaride fold-and-thrust belt, including the Durmitor Nappe.

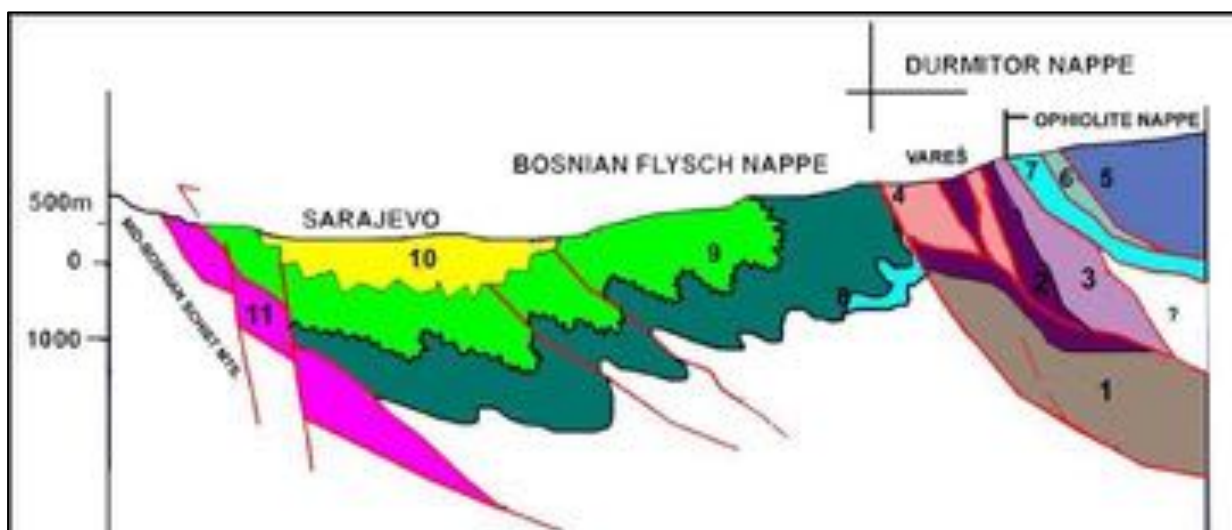


Figure 4: Simplified geology cross section looking northwest  
 Note: See text above for reference to the 11-stratigraphic description.  
 Source: Hrvatović (2004)

#### 2.4.2 District Mineralisation

The Vareš Project is located within the “Vareš ore field” which forms part of a metallogenic province that has previously been interpreted to be related to Middle Triassic rifting and associated magmatism (Palinkaš *et al.*, 2008). This province was defined by Palinkaš *et al.* (2008) to include stratiform sedimentary-exhalative (SedEx) Fe, Mn, Ba, polysulphide and Hg deposits and associated feeder-zone deposits, localised within the Middle Triassic rift sequences of the Internal Dinarides.

The Vareš metallogenic district is a west northwest-striking curved belt, 2–5 km wide and 25 km long, running from Srednje–Draževići in the southeast to Vareš–Borovica in the northwest and is characterised by Lower Triassic shales, sandstones and limestones, Anisian limestones, and Ladinian spilites interlayered with pyroclastic volcanic rocks, cherts, and shales.

Vareš was a significant centre for iron ore mining until the 1990s based on three siderite-hematite deposits within the Anisian-Ladinian stratigraphy, Smreka, Droškovac and Brezik. Footwall marls are overlain by the partly fault-bound mineralised zone with remnant limestone and overlain by cherty mudstone. Mineralisation includes siderite, manganese-rich hematite, barite, pyrite, marcasite, chalcopyrite, galena, sphalerite, tetrahedrite and Pb-sulphosalts.

The polymetallic deposits of the Vareš metallogenic district include Srednje, Borovica, Rupice, and Veovača. Srednje and Borovica are hosted by dolostone with minor intercalations of chert and shale, and characterised by barite, galena and sphalerite, with minor pyrite and marcasite and accessory arsenopyrite, chalcopyrite, bournonite, tetrahedrite, stibnite and cinnabar.

### 2.4.3 Local Geology and Mineralisation

Rupice at the western end of Vareš ore field and Veovača, in the central part, are both hosted within a west-northwest-striking antiformal thrust-bound belt of Triassic rocks surrounded by Jurassic carbonates. Ladinian (Middle Triassic) alkaline pillow basalts occur in a zone between the deposits, apparently stratigraphically underlying the host rocks to the mineralisation.

Mineralisation at Rupice and Veovača shows more similarities than differences and both deposits are clearly part of the same mineral system.

#### *Rupice*

The Rupice project is located 15 km to the northwest of Veovača on the western slope of Kiprovac Ridge. Other known prospects in this area include Jurasevac-Brestic and prospects in the Borovica corridor.

The host sequence at Rupice comprises Middle Triassic limestone, dolostone, calcareous and dolomitic marl, and a range of mostly fine-grained siliciclastic rocks including cherty mudstone, mudstone, siltstone, and fine-grained sandstone. The siliciclastic rocks are commonly red, though locally green. The internal Triassic stratigraphy is not well defined, partly due to fault-related structural complexity and alteration but, in general, a footwall sandstone is overlain by marls and dolostones that host the mineralised horizon, with a hanging wall that commonly includes a laminated ferruginous dolomitic mudstone.

The host sequence shows extensive early soft-sediment deformation textures related to compaction and minor slumping. Compressional deformation effects are limited and localised, with a domainal compressional fabric locally present. The most prominent deformation is late faulting and associated breccias. The Rupice deposit is interpreted to lie in the faulted northeast limb of a north-northwest to south-southeast trending syncline with the northeast limb being strongly deformed by thrusting. The geological setting of the nearby Jurasevač and Brestič prospects may represent an extension or repetition of this deformed limb.

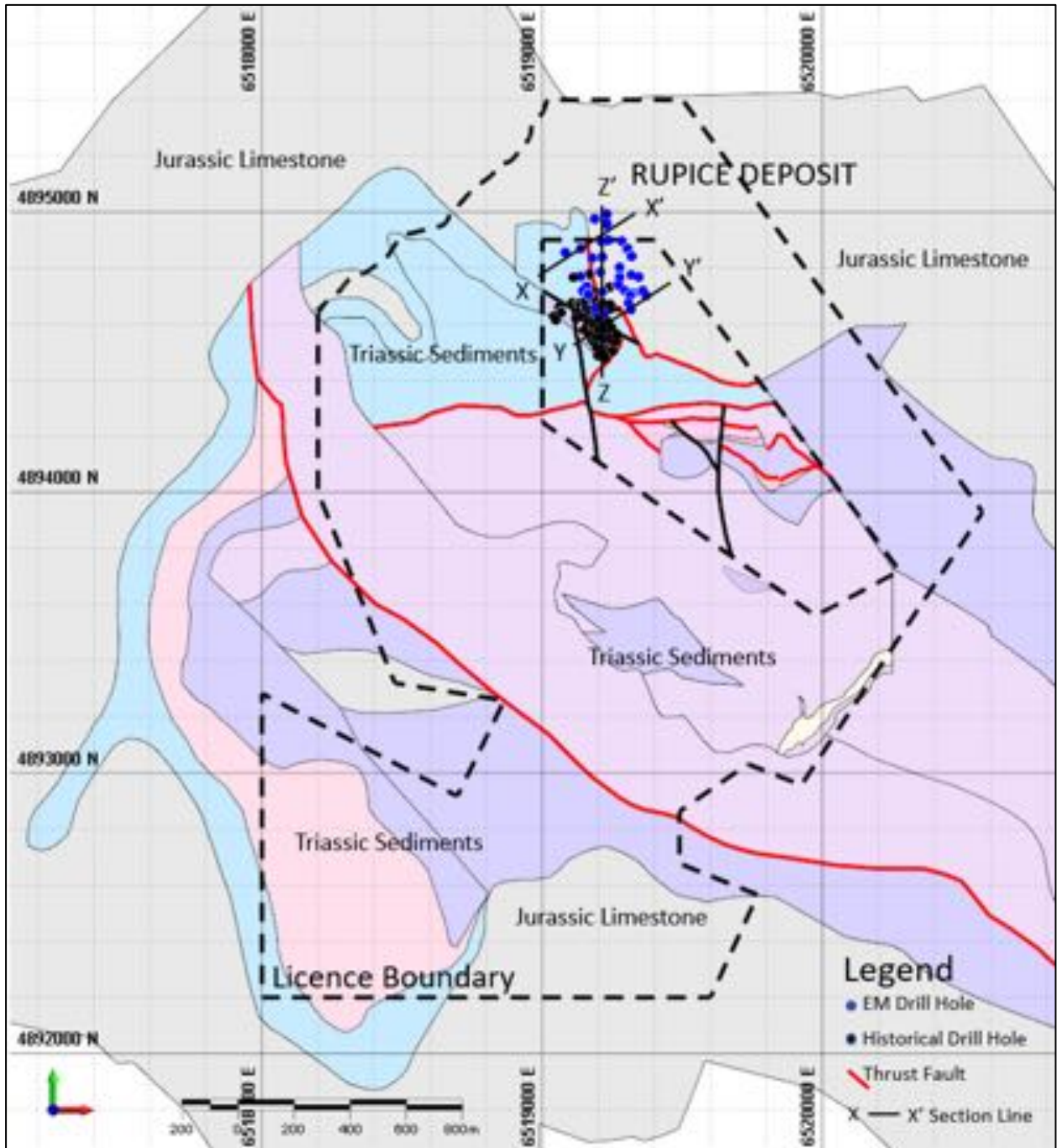


Figure 5: Rupice simplified geology (plan)

Note: The outermost dashed line represents the extended Rupice area; the inner dashed line is the original Rupice area.

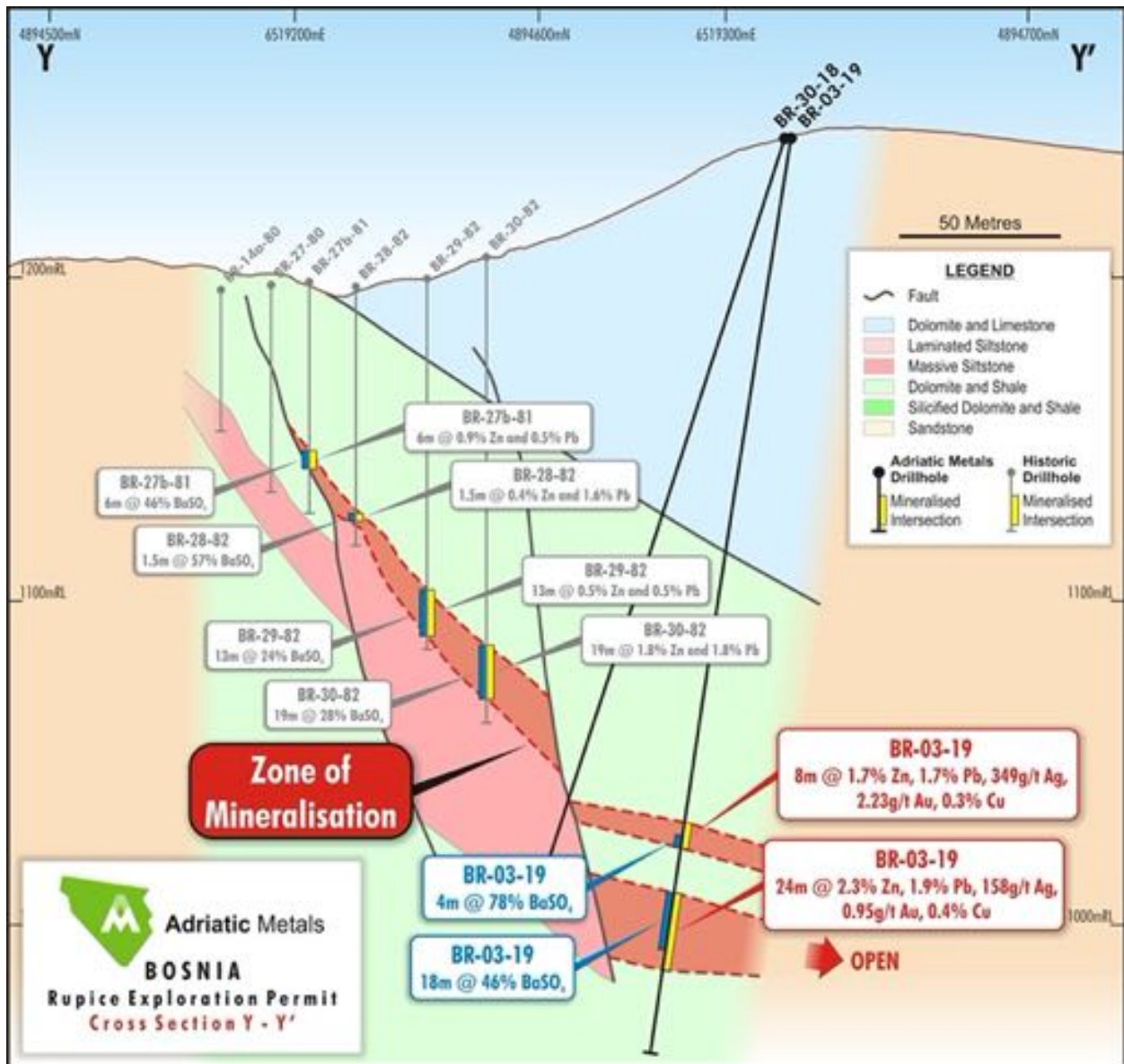


Figure 6: Typical cross section through Rupice South – section Y-Y' (looking northwest)  
 Source: Adriatic (2019C)

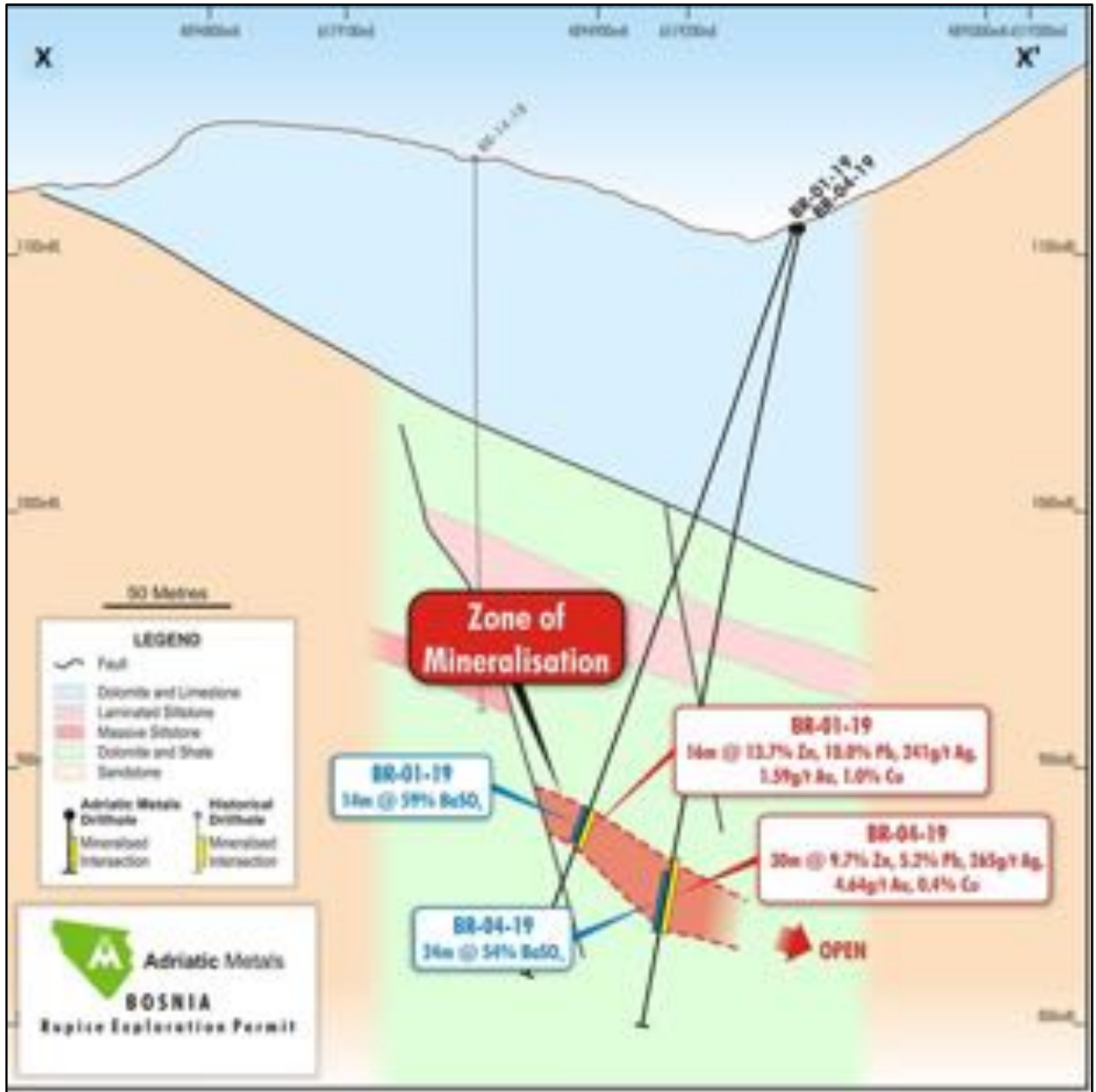


Figure 7: Typical cross section through Rupice North – section X-X' (looking northwest)  
 Source: Adriatic (2019C)

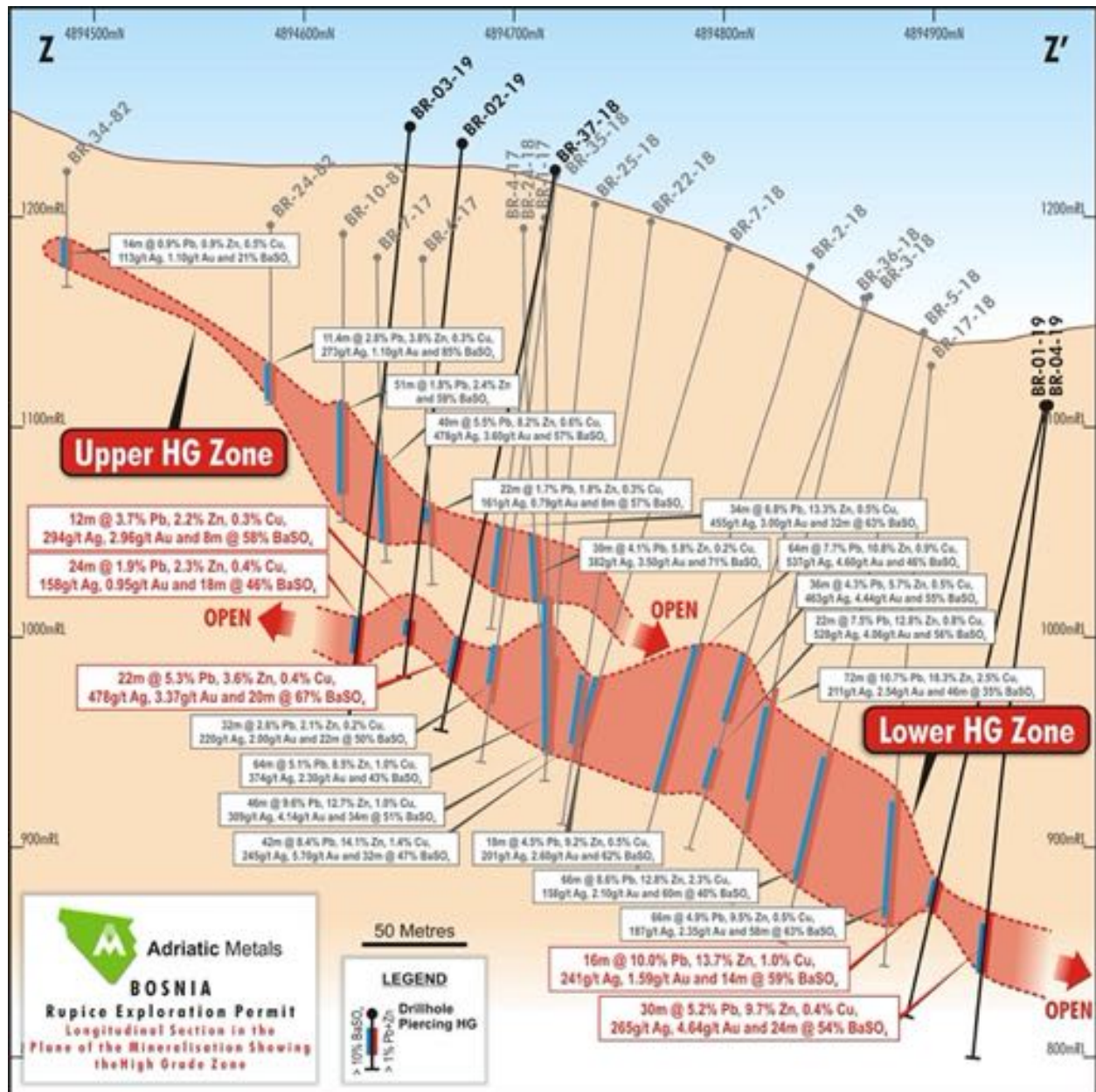


Figure 8: Long section through Rupice – section Z-Z' (looking west)  
 Source: Adriatic (2019C)

Mineralisation shows broadly stratiform geometry within the dominantly calcareous or dolomitic host-rock sequence, with localised complexities related to structure. The deposit dips to the east and flattens down dip. In the central part of the deposit, a thickened zone may represent a structural thickening related to folding, or the replacement of a thicker host-rock interval. The deposit plunges to the north and in its central part occurs as two stacked lenses. It is not yet clear if this represents a structural repetition.

The Triassic sediments and the mineralised interval are structurally overlain across a major northeast-dipping thrust fault by Jurassic sediments comprising locally reddish limestone with minor cherts.

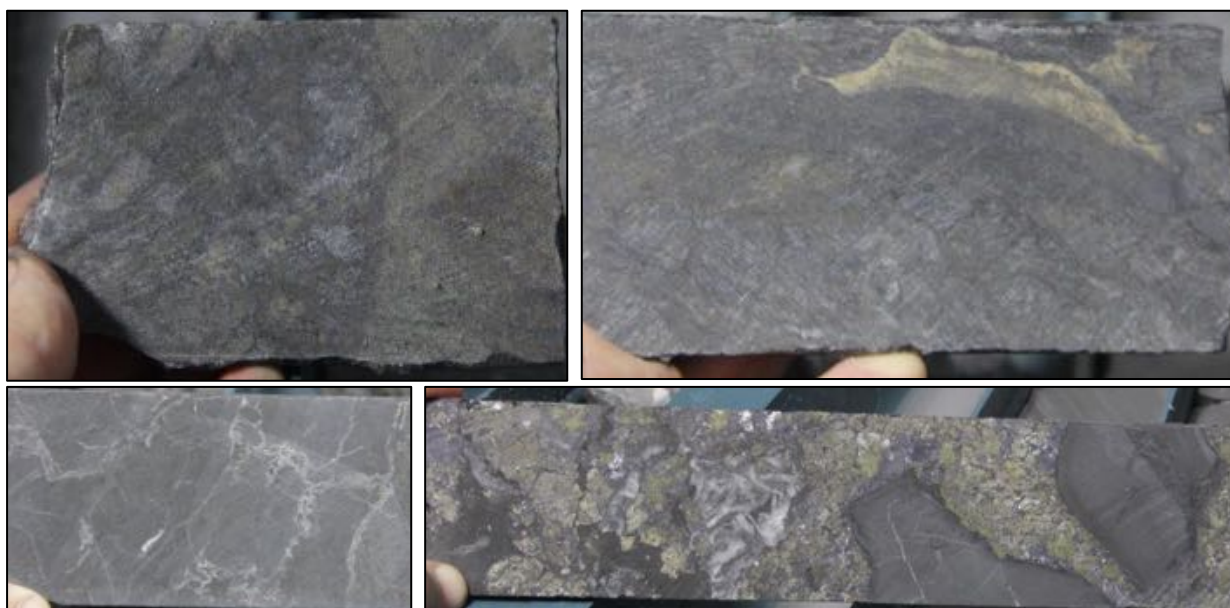
The Triassic sequence below the thrust is interpreted to be cut by a set of northeast-dipping moderately steep reverse faults that have been interpreted to form a duplex between the Jurassic thrust and a blind sole thrust.

At Rupice, mineralisation is characterised by abundant barite that is intimately intergrown with sulphides that include sphalerite, galena, chalcopyrite, pyrite, minor tetrahedrite, and rare stibnite and cinnabar.

Mineralisation carries significant silver and gold values. Sphalerite is dominantly low iron and varies from yellow to pale brown and brown.

Mineralisation varies from massive, to disseminated and breccia-matrix, to stockwork and vein style, but most of the mineralisation is massive and can be exceptionally high grade in thick intervals of total replacement (Figure 9). Massive mineralisation typically displays a remnant breccia or conglomeratic texture interpreted to reflect replacement of dolostone sedimentary breccia. Stockwork vein mineralisation is locally present in the footwall, with similar barite-sphalerite-galena-pyrite mineralogy. Disseminated pyrite in the footwall is associated with silicification.

Ankerite occurs with mineralisation and is part of the mineralisation paragenesis. Quartz also occurs as gangue and locally extensive zones of hydrothermal silicification are developed, especially in the footwall dolostone and dolomitic marl.



*Figure 9: Rupice mineralisation*  
*Top – massive replacement mineralisation with coarse barite and pale brown to yellow sphalerite and ghosted remnant breccia texture. Bottom – stockwork vein and replacement in dolomitic marl, with coarse bladed barite and brown to yellowish-green sphalerite at right*

### **Veovača**

The host sequence at Veovača is broadly similar to Rupice, including Middle Triassic limestone, dolostone, marl, cherty mudstone, mudstone and siltstone. However, mineralisation is hosted within a prominent conglomeratic unit that is much better developed than at Rupice. Dolostone breccia similar to Rupice is also present at Veovača, but the dominant lithology is a polymict matrix- to clast-supported sub-rounded to sub-angular conglomerate without obvious bedding. This is most likely a mass-flow sedimentary deposit related to syn-sedimentary faulting.

The mineralised zone at Veovača trends west-northwest to east-northeast and plunges to the east-northeast. This was previously interpreted to occur in an east-northeast plunging synform with breccia at its core, but this has not been confirmed by more recent work.

In the open pit at Veovača, the mineralised conglomeratic unit has a faulted footwall contact with strongly deformed mudstone and siltstone with thin limestone beds. The hangingwall consists of interbedded red mudstones and siltstones with thick dolostone or limestone horizons. In drill core, limestone and calcareous marl occur in the footwall. The local lithostratigraphy is poorly defined.

Deformation in the host sequence at Veovača is more intense than at Rupice with an extensively developed compressional fabric that is oblique to bedding. However, fabric formation is domainal, and the conglomeratic unit and mineralisation may be largely undeformed. Tight folding is apparent in local road-cuts and in the open pit, the footwall sequence includes a steep overturned fold limb.

Mineralisation at Veovača is generally undeformed, however this appears to reflect resistance to deformation, which is highly domainal, rather than late post-deformational mineralisation. Fabrics are locally developed in mineralised rock and remobilisation of barite and sulphides into clast pressure shadows has occurred locally.

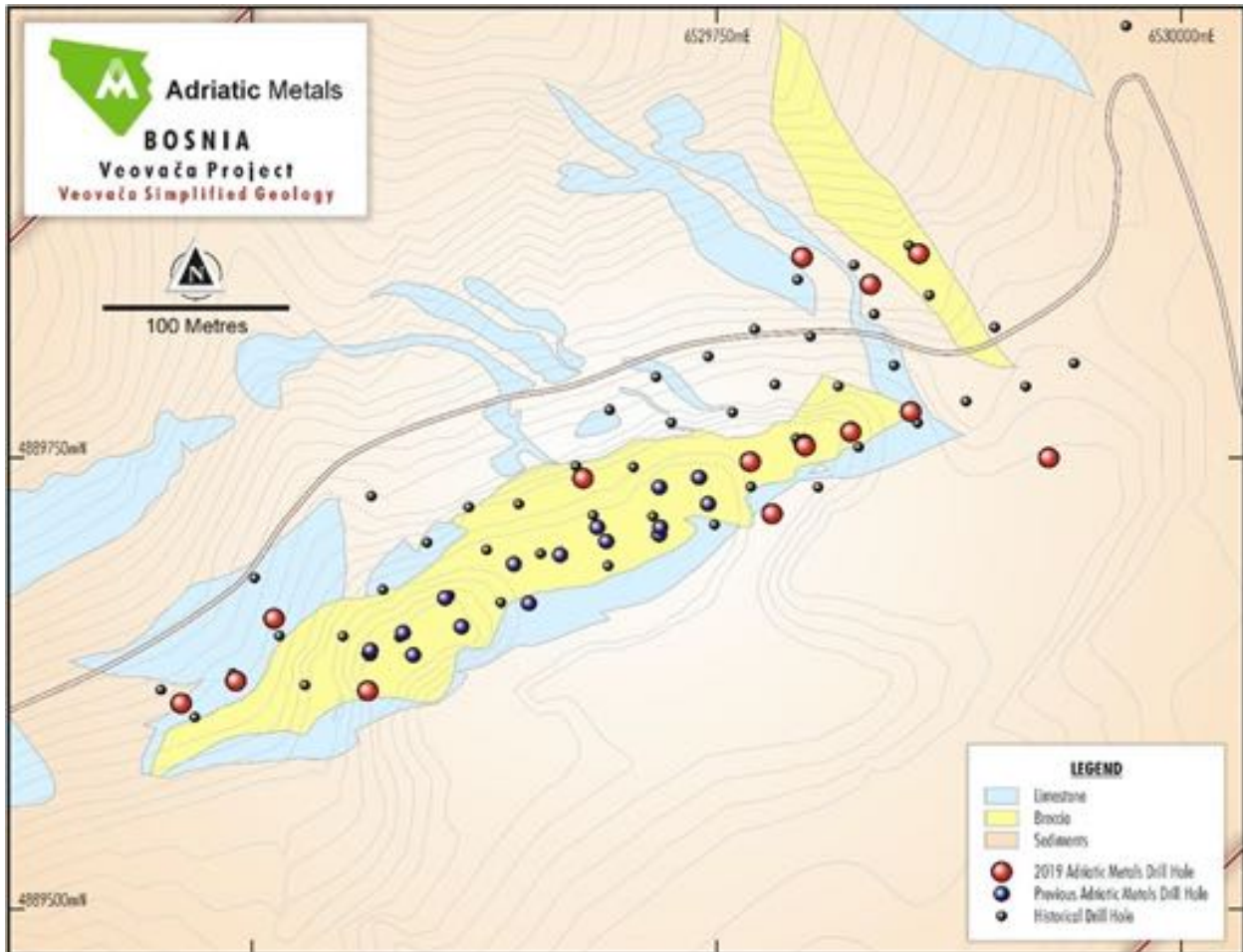


Figure 10: Simplified geology map of Veovača showing drill collars  
Source: Adriatic (2019E)

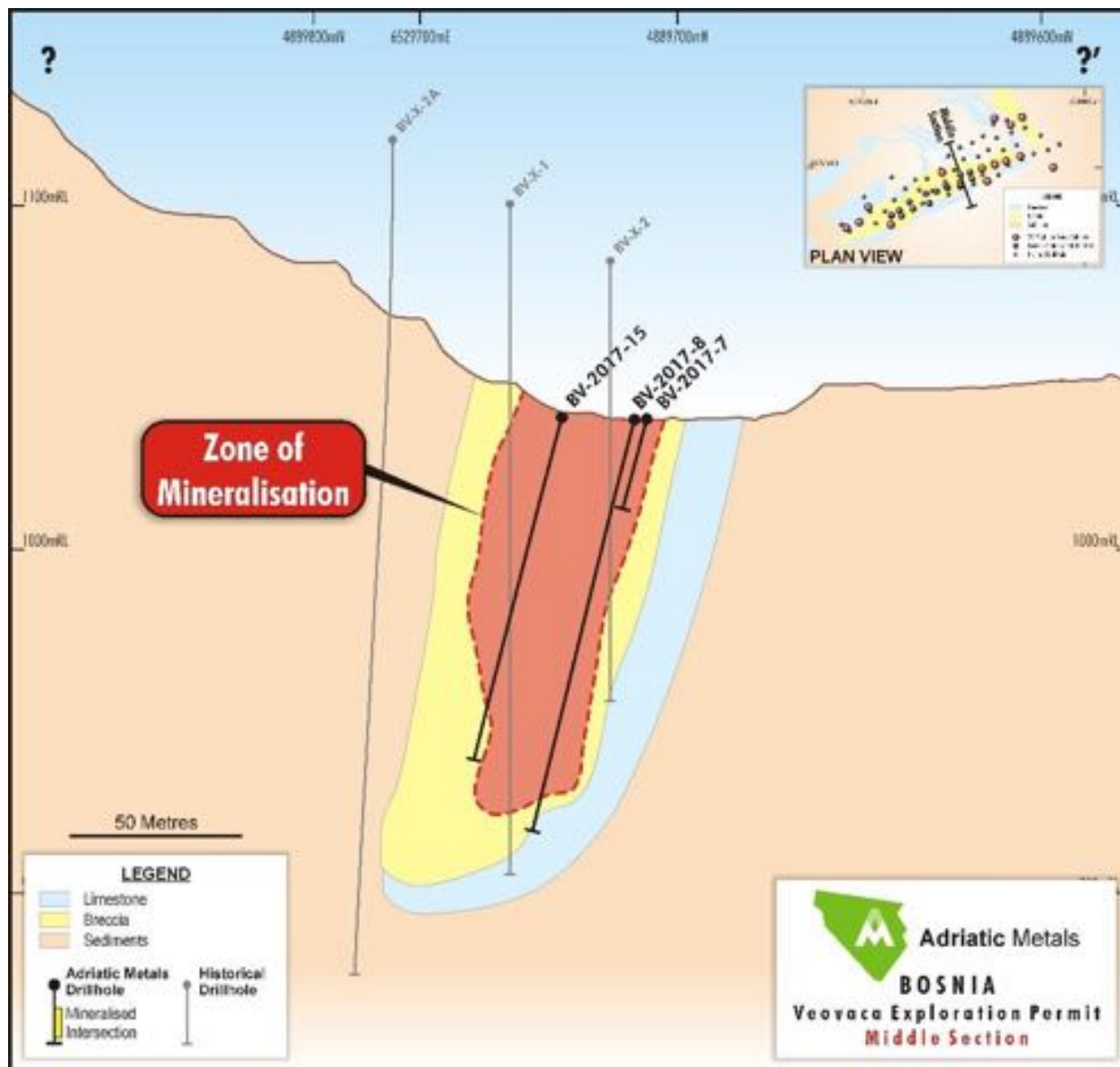


Figure 11: Simplified typical geological cross section through Veovaca (section 10 looking east-northeast)  
 Source: Adriatic (2019E)

At Veovaca, massive mineralisation similar to Rupice is also present and associated with highest grades, but most mineralisation occurs within the conglomeratic unit where it selectively replaces certain clasts (probably limestone and dolostone) and the matrix, which is probably calcareous or dolomitic. Clasts of sandstone and mudstone are not replaced. Grade of mineralisation appears to be related to the variable conglomeratic composition and texture; highest grades occur in dolostone conglomerate when clasts and matrix are replaced, moderate grades in matrix- to clast-supported coarse conglomerate with dolomitic clasts and probably matrix, low grades are associated with clast-supported conglomerate dominated by siliciclastic clasts.

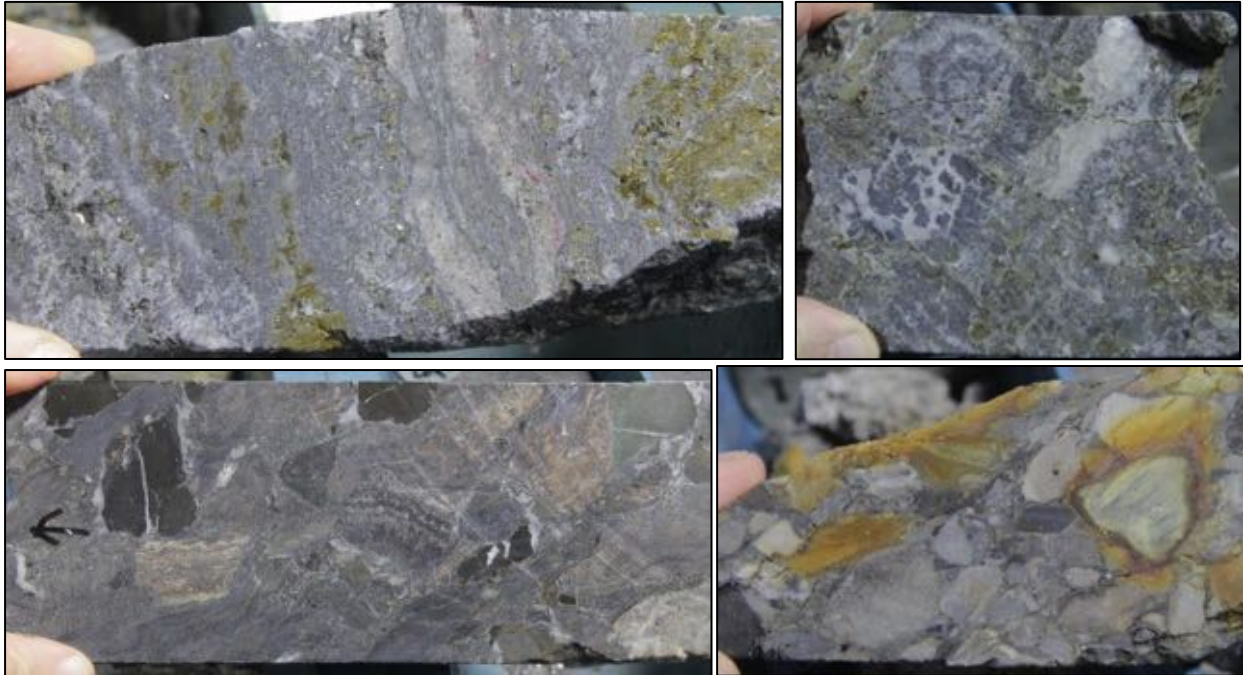


Figure 12: *Veovača mineralisation*

*Top Left – banded massive mineralisation; top right, massive breccia mineralisation where clasts and matrix have been replaced. Bottom left – breccia mineralisation with some clasts fully replaced while siliciclastic clasts are not replaced. Bottom right – low-grade mineralisation in the matrix of clast-supported conglomerate.*

### *Mineralisation Model*

The polymetallic barite-sulphide mineralisation at Rupice and Veovača is not exhalative as described by Palinkaš *et al.* (2008) and by the Geological Institute in Bosnia; exhalative mineralisation is not possible within high-energy conglomeratic sediments. The mineralisation setting, chemistry and style is different from SHMS (shale-hosted massive sulphide or “SedEx”) deposits globally, nor does it show characteristics of VMS (volcanogenic massive sulphide) deposits, especially as there is no direct association with volcanic rocks.

Mineralisation at Rupice and Veovača occurs in a carbonate-dominated sedimentary sequence deposited in an active marine rift setting, following a period of alkaline volcanism. Sedimentary breccia or conglomeratic units provide evidence for active faulting during sedimentation, and there is sedimentary evidence for rapid subsidence and a deepening depositional environment.

Mineralisation is dominantly replacement-style with subordinate veining. Mineralisation is interpreted to preferentially replace carbonate-bearing lithologies, primarily dolostone and dolomitic sedimentary breccia with subordinate mineralisation in dolomitic marls. The grade of mineralisation at Veovača appears to be directly related to the amount of carbonate in the precursor sedimentary breccia host-rock.

Dolomitisation is interpreted to be an important “ground preparation” alteration event, generating a coarse grained more permeable and reactive rock mass. Dolomitisation predates mineralisation and probably reflects a basal brine fluid flow event accompanying extension and subsidence.

In an environment with active syn-sedimentary faulting, significant lateral variation of sedimentary facies and unit thickness is to be expected. Variation of the thickness of preferred host units may result in some of the thickness variation observed in the stratabound mineralised zones (e.g. dolostone host thickness at Rupice).

The polymetallic metal association with Fe, Zn, Pb, Cu, Ag, Au, Sb, As, Hg and Ba strongly suggests a component of magmatic fluid in the mineralising system. The barite is intergrown with sulphides in both massive replacement and vein mineralisation and barite and sulphides are unlikely to have formed

separately. Fluids are therefore likely to have been relatively high temperature to carry both metals and barium in the same, probably oxidising, fluid. If evaporites were present in the rift, they may have contributed to fluid salinity allowing a greater metal carrying capacity.

A relatively early timing for mineralisation is suggested by the fact that mineralisation predates the compressive Alpine deformation event and associated faulting. The potential trigger events for a hydrothermal mineralising system are early rifting and magmatism, or the compressive Palaeogene deformation event. The latter was relatively thin-skinned and cool and without associated magmatism in the Inner Dinarides.

In summary, the Rupice and Veovača deposits are interpreted to have formed mainly by replacement, principally of dolomitic rocks, in a high heat-flow rift setting with mixing of magmatic fluids and basinal brines. The siderite-hematite iron deposits with associated barite and base metals are interpreted to be part of the same mineralising system. The high mercury content in the Vareš deposits also suggests that the epigenetic mercury vein deposits were part of the same metallogenic event.

The Vareš deposits are unusual in their metal content, style and setting and do not have any obvious direct analogues globally. They show some similarities with the polymetallic mineralisation associated with post-collisional Neogene alkaline magmatism in southeast Spain, including the La Union Sierra de Cartagena and Rodaliquilar districts. These deposits include mantos and epithermal mineralisation with barite, zinc, lead, copper, antimony, silver and gold.

## 2.5 Historical Mining and Exploration

The Vareš district has a significant mining history dating back to Bronze Age. During the Roman era, the town was famous for its miners and iron smiths. During the Austrian rule of BiH, the ironworks of Vareš were an important exporter of iron products to the rest of the Hapsburg empire. The first blast furnace in BiH was built in Vareš in 1891 and only ceased operations in 1990.

The Socialist Federal Republic of Yugoslavia through its parastatal company, Energoinvest, commenced modern exploration in the Vareš district in the late 1940s and, over a period of 40 years, discovered several iron and polymetallic (lead, zinc, barite, silver, gold) deposits within a 30 km x 10 km sedimentary formation extending from Rupice in the northwest to Smailova-Suma in the southeast.

In the late 1960s to the early 1970s, exploration in the district consisted of a number of small programs of diamond core drilling and surface trenching which at Veovača, Droscovac, Bretic-Jurasevac and Borovica was followed by the development of exploration adits and drives, and then a more substantial program of diamond core drilling in the late 1970s and the 1980s. The first “mineral reserve” for Veovača was estimated in 1978 and continued to be refined up to 1983 when open pit mining commenced. At Rupice, a “mineral reserve” was estimated in the 1980s as drilling progressed.

Open pit mining commenced at Veovača in 1983 at a production rate of approximately 400,000 tonnes per annum. After four years of mining, some 1.2 million tonnes (Mt) of ore had been mined and hauled to the nearby processing facility some 2 km to the southwest.

Mining activities by Energoinvest reached a peak in the 1980s but by the end of the decade all mines closed due to political instability rather than depleted mine reserves.

No exploration was conducted in the Vareš District following the closure of the lead-zinc and iron ore mines in the late 1980s. Thereafter the civil unrest of the 1990s, lack of foreign investment through the early 2000s, and the eventual bankruptcy of Energoinvest, impeded any attempt at restarting exploration and mining.

## 2.6 Exploration Activities

### 2.6.1 Veovača Exploration

There have been several periods of exploration at the Veovača deposit commencing in the 1960s and follow-up work in the late 1970s. Exploration consisted of an initial small program of diamond core drilling and surface trenching (1968–1970), followed by the development of exploration adits and drives. A more substantial program of diamond core drilling was completed in the 1970s. In all, a total of 51 diamond drillholes were completed for approximately 8,000 m.

All historical drillholes were assayed for lead, zinc and barite and, very occasionally, copper and mercury. Significant lead and zinc intervals are listed in Table 7. Historical drilling was vertical and as the mineralisation lies within an upright synform, drillholes either intersected mineralisation from surface to the keel of the synform and into barren footwall, or missed mineralisation completely (Figure 11).

Table 7: Significant historical drill results

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	BaSO <sub>4</sub> (%)
BV-I-3	0.0	20.0	20.0	2.6	3.1	31
BV-II-2	18.0	36.0	18.0	1.3	3.3	11
BV-III-1	0.0	12.0	12.0	1.4	1.7	30
BV-III-1	20.0	26.0	6.0	2.8	3.5	33
BV-III-3	0.0	10.0	10.0	3.6	5.0	58
BV-III-3	18.0	40.0	22.0	1.5	1.9	17
BV-IV-2	17.0	33.0	16.0	1.7	1.4	13
BV-IV-2	35.0	55.5	20.5	1.9	3.2	27
BV-IX-1	0.0	34.0	34.0	0.9	1.1	11
BV-IX-1	42.0	66.0	24.0	0.9	1.1	11
BV-IX-1	76.0	140.0	64.0	0.7	1.6	13
BV-IX-1A	46.0	54.0	8.0	0.2	1.4	0
BV-IX-1A	62.0	86.0	24.0	1.1	1.2	19
BV-IX-3	4.0	10.0	6.0	0.4	2.1	40
BV-IX-3	46.0	68.0	22.0	1.7	3.7	32
BV-V-3	6.0	70.0	64.0	2.6	3.2	37
BV-VI-2	0.0	10.0	10.0	0.6	0.5	9
BV-VI-2	18.0	108.0	90.0	3.1	3.7	47
BV-VII-1	8.0	124.0	116.0	0.7	3.3	24
BV-VII-1A	112.0	120.0	8.0	1.0	1.0	0
BV-VII-3	10.0	30.0	20.0	0.5	1.8	14
BV-VII-3	42.0	60.0	18.0	1.1	3.9	37
BV-VIII-1	48.0	57.0	9.0	1.3	1.5	16
BV-VIII-2	10.0	30.0	20.0	0.8	0.9	19
BV-VIII-2	52.0	110.0	58.0	1.6	2.4	30
BV-X-1	18.0	40.0	22.0	1.5	2.3	24
BV-X-1	64.0	78.0	14.0	0.7	1.0	11
BV-X-1	100.0	118.0	18.0	0.7	0.7	13
BV-X-1	130.0	179.0	49.0	0.8	1.1	15
BV-X-2	37.0	63.0	26.0	0.7	0.9	10
BV-X-2	71.0	95.0	24.0	0.8	1.1	14
BV-X-2A	40.0	50.0	10.0	0.5	0.6	0
BV-XI-1	0.5	26.0	25.5	2.9	3.1	38

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	BaSO <sub>4</sub> (%)
BV-XI-1	38.0	50.0	12.0	0.7	1.1	7
BV-XI-1	76.0	146.0	70.0	1.1	1.2	14
BV-XI-1A	108.0	114.0	6.0	0.7	1.3	13
BV-XI-1A	120.0	128.0	8.0	0.9	2.1	11
BV-XI-1A	150.0	158.0	8.0	0.7	1.5	9
BV-XI-3	68.0	78.0	10.0	1.3	3.9	33
BV-XI-3	93.0	103.0	10.0	0.8	0.6	6
BV-XII-1	7.0	101.0	94.0	1.1	1.6	16
BV-XII-1	107.0	161.0	54.0	1.0	1.2	12
BV-XII-1	167.0	177.0	10.0	0.7	0.9	9
BV-XII-1A	83.5	101.0	17.5	1.2	1.5	31
BV-XII-1A	108.7	120.5	11.8	0.9	1.1	35
BV-XII-1A	180.5	214.5	34.0	3.3	3.2	42
BV-XIII-1	10.0	38.0	28.0	0.9	1.9	2
BV-XIII-1	60.0	74.0	14.0	2.2	2.4	37
BV-XIII-1	132.0	166.0	34.0	0.7	1.6	19
BV-XIII-4	120.0	138.0	18.0	0.6	0.7	7
BV-XIII-4	164.0	172.0	8.0	1.0	1.3	16
BV-XIII-4	190.0	233.0	43.0	2.3	3.1	36
BV-XIII-5	179.0	191.0	12.0	1.1	1.1	22
BV-XIV-2	44.0	54.0	10.0	0.7	0.9	6
BV-XIV-3	112.0	117.5	5.5	0.5	0.7	0
BV-XIV-3	164.0	180.0	16.0	0.7	1.2	12
BV-XIV-3	190.0	207.7	17.7	1.1	1.8	19
BV-XIV-4	30.0	35.0	5.0	0.2	1.1	1
BV-XIV-4	172.8	216.0	43.2	1.1	1.8	17
BV-XIV-5	75.0	80.0	5.0	0.2	1.1	0
BV-XIV-5	235.0	248.0	13.0	1.1	0.6	4
BV-XV-2	172.0	192.0	20.0	0.6	0.8	9
BV-XV-3	213.0	222.0	9.0	1.8	2.0	21
BV-XV-4	60.0	65.0	5.0	1.1	0.1	0
BV-XV-4	240.0	250.0	10.0	2.5	2.5	41
BV-XVII-2	145.0	163.0	18.0	0.6	0.9	9

Note: Intersections greater than 4 m interval at grades using lead + zinc greater than 1% with cut-off with no more than two consecutive intervals below cut-off. BaSO<sub>4</sub> = Barite.

Seven diamond drillholes at Veovača were previously assayed by Energoinvest for silver with three drillholes returning the following results (Table 8).

Table 8: Silver intervals greater than 5 m (with greater than 30 g/t Ag with less than two consecutive intervals <30 g/t Ag)

Drillhole	From (m)	Interval (m)	Ag (g/t)
BV-IX-1A	62	24	71
BV-XI-1A	152	6	44
BV-XIII-5	179	12	45

Several induced polarisation (IP) programs were also completed in this period. A gradient array survey to the northeast of the open pit mine highlighted northwest-trending chargeability anomalies, orthogonal to the northeast-trending orientation of mineralisation in the pit. The anomaly extends from Orti

southeast to Seliste, northeast of the Veovača pit, while another anomalous trend was defined over the Mekuse prospect (Figure 13).

Limited drilling was completed at the Orti prospect, a single hole in 1969, 17 holes between 1984 and 1986 and one hole in 1990, whilst at Mekuse seven holes were drilled between 1968 and 1970. Whilst CSA Global has viewed the drillhole geology logs for Orti, and cross sections showing the drilling at Mekuse, these prospects are yet to be explored in any detail. However, ground truthing has identified extensive historical surface mining at Orti and Mekuse (undertaken during the Austrian-Hungarian period c. 1867-1918) and, following a detailed light detection and ranging (LiDAR) survey, extensive surface diggings immediately north of Veovača were discovered. Adriatic considers the Orti and the Veovača North diggings to be possible faulted repetitions of the Veovača mineralisation (Figure 14 and Figure 15), whilst the mineralisation at Mekuse appears to have a different stratigraphic alignment at a very high angle to the Veovača trend.

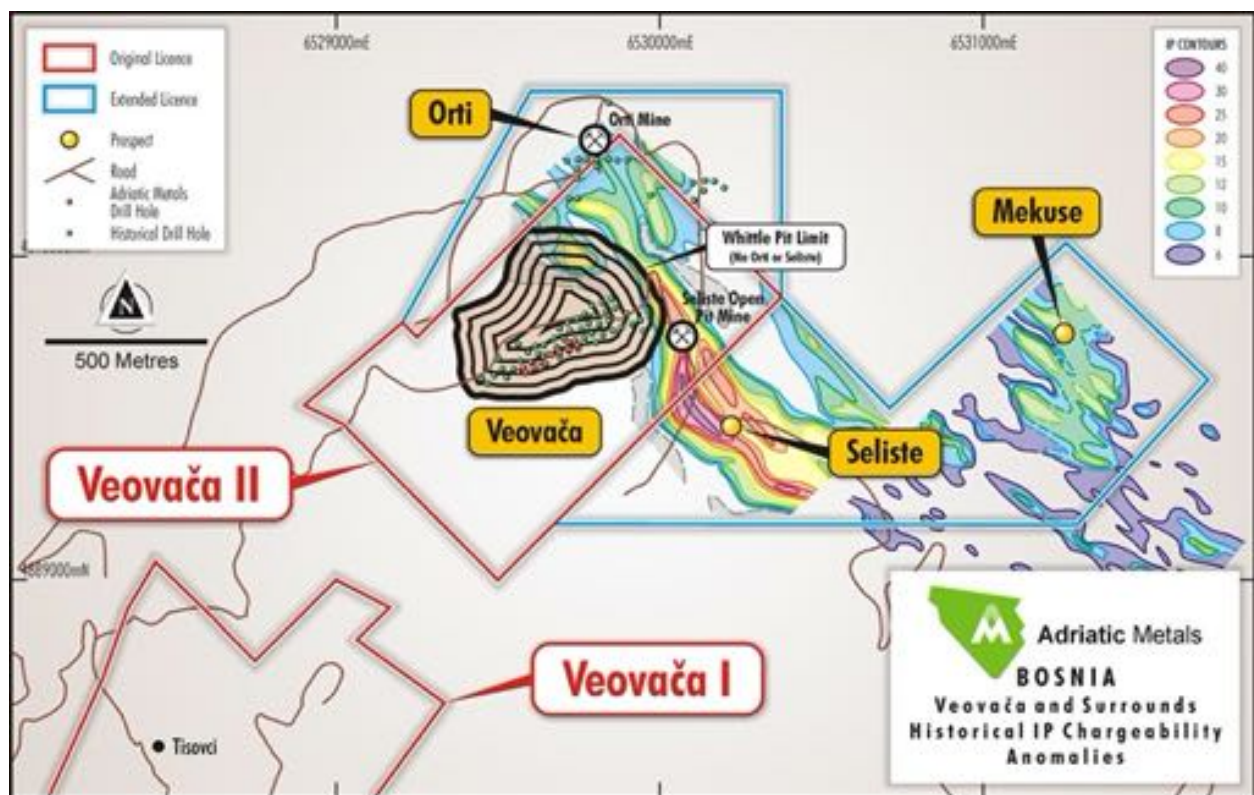


Figure 13: Historical IP at Veovača with chargeability anomalies (the grid is MGI 1901/Balkans Zone 6)  
 Source: Adriatic (2018B)

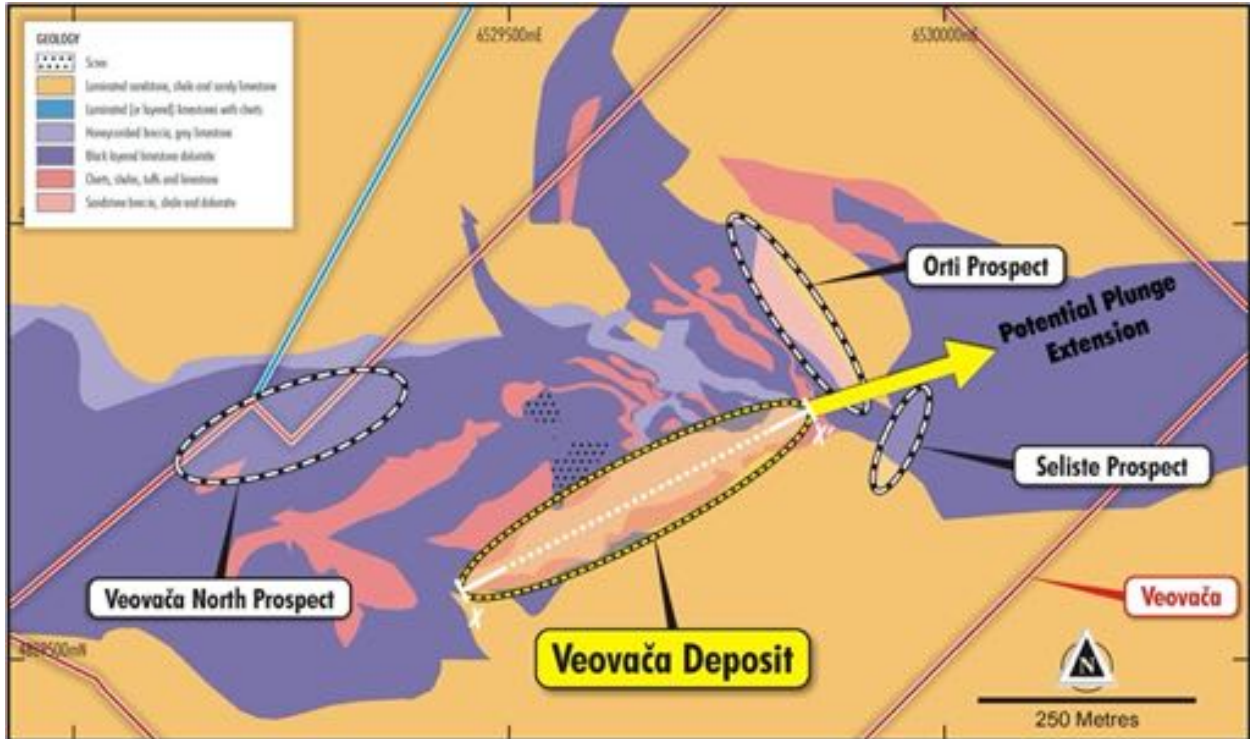


Figure 14: Veovača plan view with geology mineralisation demonstrating the potential plunge of mineralisation (the grid is MGI 1901/Balkans Zone 6)

Note: Figure modified from Adriatic website.

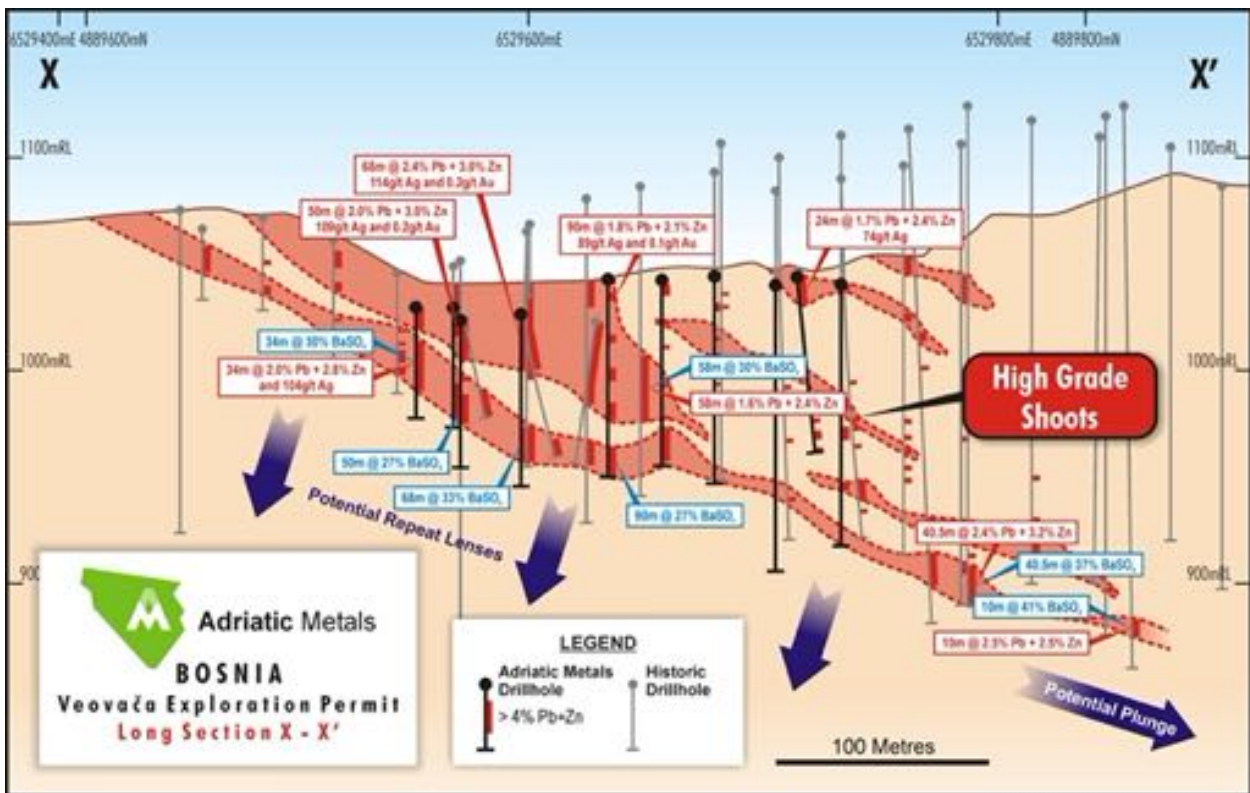


Figure 15: Long section of Veovača mineralisation and potential targets

Note: The grid is MGI 1901/Balkans Zone 6 (modified from Adriatic presentation) demonstrating potential for repeat lenses below the pit.

Adriatic completed 16 new drillholes in 2017 for 1,379 m to supplement and confirm some of the 48 historical drillholes, areas of adit sampling, and open pit grade control samples. Results from this drilling are listed in Table 9. Due to access constraints in and around the old open pit Adriatic drilled a combination of vertical and steeply inclined holes. All holes intersected the mineralisation within the core of the upright synform mostly from surface or near surface with drilling at a high angle to the axial plane of the synform.

Table 9: *Adriatic drilling results at Veovača with intervals greater than 5 m (using lead + zinc greater than 1% with, with no more than two consecutive intervals below cut-off)*

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
BV-2017-1	0	10.6	6.6	5.3	63	0.2	233
	12.6	27.4	3.7	2.2	39	0.4	121
	46	24	4	2	26	0.1	91
BV-2017-2	0	52	2.9	1.9	27	0.2	106
BV-2017-3	0	34	2.9	1.9	30	0.2	105
BV-2017-4	4	88	2.3	2	28	0.1	99
BV-2017-5	0	40	1.3	0.8	10	0.1	37
BV-2017-6	0	88	1.9	1.3	17	0.1	54
BV-2017-7	Hole abandoned before target						
BV-2017-8	6	12	1.1	0.7	7	0	27
	32	80	1.3	0.9	12	0.1	37
BV-2017-9	0	20	1.5	1.4	17	0.1	55
	34	42	1.2	1	13	0.1	46
	84	38	2.6	1.7	20	0.1	77
BV-2017-10	0	42	3.2	2.6	37	0.2	125
BV-2017-11	22	38	2.1	1.6	17	0.1	63
BV-2017-12	0	52	3.3	2.7	39	0.2	133
	64	16	3.8	2.8	28	0.1	115
BV-2017-13	14	84	2.9	2.4	30	0.1	106
BV-2017-14	0	20	0.9	0.7	8	0	23
BV-2017-14	34	24	1.8	0.9	13	0.1	50
BV-2017-15	0	24	2.5	1.4	17	0.1	71
	34	16	0.9	0.7	9	0	27
	58	26	2.2	1.6	17	0.1	70
BV-2017-16	18	24.5	0.9	0.5	5	0	21
	68.5	20	1.7	1.4	15	0.1	53

Note: True thickness is generally considered to approximate intersection width (see text).

No drilling took place at the Veovača deposit during 2018. During 2019, an additional 17 drillholes were undertaken for a total advance of 2,342 m with the intention to include both base and precious metals into an updated MRE. A plan map of the completed holes as of 22 July 2019 is shown in Figure 16. Significant results from the drilling returned to date for the 2019 campaign (31 July 2019) are presented in Table 10 below. Three holes were drilled vertically and the remainder between 50° and 80° towards the north-northeast or south-southeast in order to best intersect the steeply dipping mineralisation.

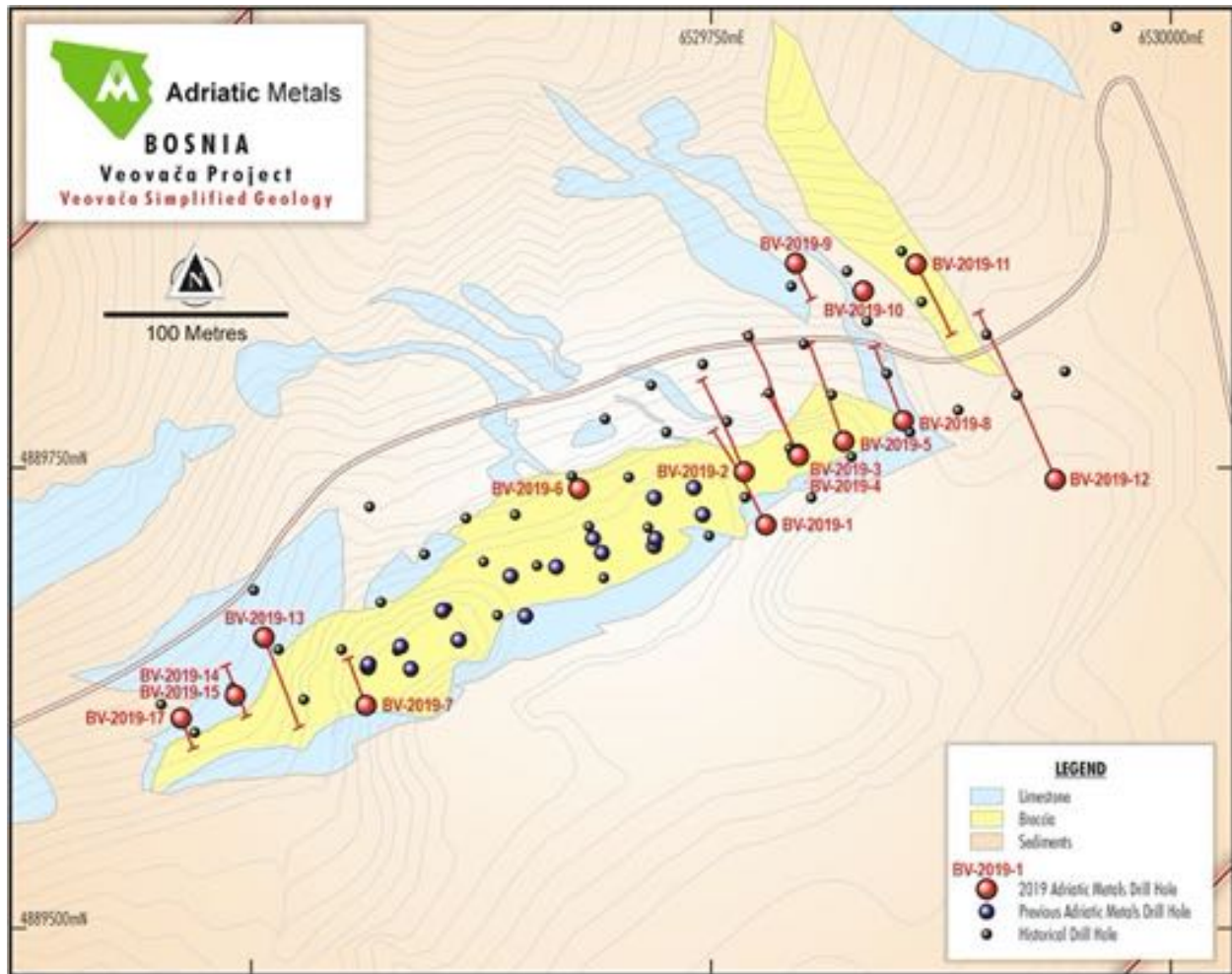


Figure 16: Plan map showing the location of drillholes completed within the Veovača deposit  
Source: Adriatic (2019E)

Table 10: 2019 drillhole intersections at Veovača (using lead + zinc greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
BV-2019-1	42	12	2.7	2	27	0.1	83
	64	12	1.1	0.8	9	0	37
	82	72	1.4	1.2	13	0.1	48
BV-2019-2	12	8	0.7	0.5	7	0.1	22
	28	28	2	1.3	15	0.1	57
	66	22	1.1	0.9	11	0	32
	98	14	3	2.4	27	0.1	94
BV-2019-3	0	36	1.9	1.6	28	0.1	82
	56	8	2.5	0.2	0	0	1
	88	20	0.7	0.6	8	0.1	26
BV-2019-4	0	78	2.3	1.5	22	0.1	68
	88	64	2.3	1.5	21	0.1	88
BV-2019-5	2	26	1.2	0.8	14	0.1	40
	34	16	0.9	0.6	7	0.1	30
	60	8	1.7	1	0	0	2
	122	30	1.8	1.7	19	0.1	64
BV-2019-6	8	58	2.5	2	23	0.1	87

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
BV-2019-7	30	12	3.3	3.3	43	0.2	177
BV-2019-8	28	30	1.3	0.8	9	0.1	31
	76	6	0.8	0.5	5	0	22
	96	10	2.1	0.3	0	0	3
	142	20	0.8	0.6	8	0	27
BV-2019-9	No Significant Intersection						
BV-2019-10	No Significant Intersection						
BV-2019-11	No Significant Intersection						
BV-2019-12	140	24	1.5	1.2	16	0.1	53
	178	12	1.3	0.9	15	0.1	45
BV-2019-13	14	28	1.4	1.1	14	0.1	47
	50	16.5	3.4	2	36	0.2	148
BV-2019-14	4	38	2.5	1.5	20	0.1	73
BV-2019-15	No Significant Intersection						
BV-2019-16	22	12	0.6	0.3	0	0	1
BV-2019-17	8	20	4.2	2.4	32	0.3	107

Note: True thickness approximates intersection widths.

## 2.6.2 Rupice Exploration

In addition to Rupice, other known prospects include Jurasevac-Brestic and prospects in the Borovica corridor (Kraljeva Jama, Siroki Radakovac, Ceo Sutjeska and Zakruzje) (Figure 17).

Previous exploration activities in the Rupice area commenced in 1952 and continued intermittently until 1990, initially focusing on barite mineralisation and later on the polymetallic mineralisation. Exploration activities included geophysics (IP), costeans, exploration adits, and drilling. During this period, Energoinvest completed over 60 holes for 7,000 m targeting Rupice, Borovica and Jurasevac-Brestic (Table 11). These indicated the presence of polymetallic mineralisation at Rupice and Jurasevac-Brestic. Chargeability anomalies extend to the southeast between Rupice and Jurasevac-Brestic but these trends have not been drill-tested. Other anomalies in the area (at Upper Borovica and Lower Borovica localities) have not been followed up by drilling either, though some of these are outside the Adriatic granted Concession.

Table 11: Historical drillhole intersections at Rupice (using lead + zinc greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-1-86	77	26	1.9	1.4	19	n/a	n/a	n/a
BR-9-82	60	17	3	2.6	64	n/a	223	0.3
	83	10	1	0.3	2	n/a	n/a	n/a
BR-10-81 Including re-assay	85	51	2.4	1.8	59	n/a	n/a	n/a
	90	34	n/a	n/a	n/a	1.8	195	n/a
BR-14a-80	4	27	2	1.3	74	n/a	n/a	0.3
	90	34	n/a	n/a	n/a	1.8	195	n/a
BR-19-80	19	10	2.3	1	14	n/a	n/a	n/a
BR-20-80	49	14	2	1	47	n/a	518	0.2
BR-24-82	66.4	11.4	3.8	2.8	85	1.1	273	0.3
BR-25-81	88	34	0.9	1	38	n/a	n/a	n/a
BR-25-81	90	26	n/a	n/a	n/a	0.7	n/a	n/a
BR-27b-81	52	6	0.5	0.9	46	n/a	59	0.3

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-29-82	101	9	0.5	0.5	26	n/a	39	0.2
BR-30-82	123	15	2.2	2.1	35	n/a	221	0.7
BR-33-82	99	14	1.9	1.7	3	0.6	43	0.7
BR-34-82	32	14	0.9	0.5	21	1.1	113	0.5
BR-46-86	152	10	5.6	4.1	54	n/a	n/a	n/a
BR-50-86	164	10.7	1	1.3	8	n/a	n/a	n/a
BR-58-86	137.6	33.9	11.4	6.3	56	n/a	n/a	n/a
Including	141	24	14.8	8	61	n/a	n/a	n/a
BR-59-86	129	24	4	2	41	n/a	n/a	n/a
Including	147	6	11.4	5.1	71	n/a	n/a	n/a
BR-60-86	97	9	2	2.2	22	n/a	n/a	n/a
BR-75-86	178	12	4.5	3.6	4	n/a	n/a	n/a
BR-76-89	190	49	5.3	4.8	54	n/a	n/a	n/a
Including	204.4	10.8	9.3	8.8	67	n/a	n/a	n/a
BR-78-89	171.1	14.6	2	1.3	9	n/a	n/a	n/a
BR-79-89	196.6	7	8.9	5.2	42	n/a	n/a	n/a

Historical drillholes were all vertical and intersected the mineralisation at a high angle to the general dip so that true thickness of the intersections is likely to be 65% of the downhole intercept. According to Adriatic records, less than one-third of the historical drillholes in Rupice were assayed for silver or gold.

Historical IP programs cover the majority of the Concession and part of the larger target area (Figure 17). The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. Several prospects in the Borovica corridor surrounding the Concession are also highlighted.

Adriatic completed IP (gradient array) programs cover the majority of the Rupice and part of the regional prospect area in 2018 (Figure 18). The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. In addition, 5 km to the southwest of Jurasevac, there is a parallel chargeable anomaly, within the regional area, considered for future exploration.

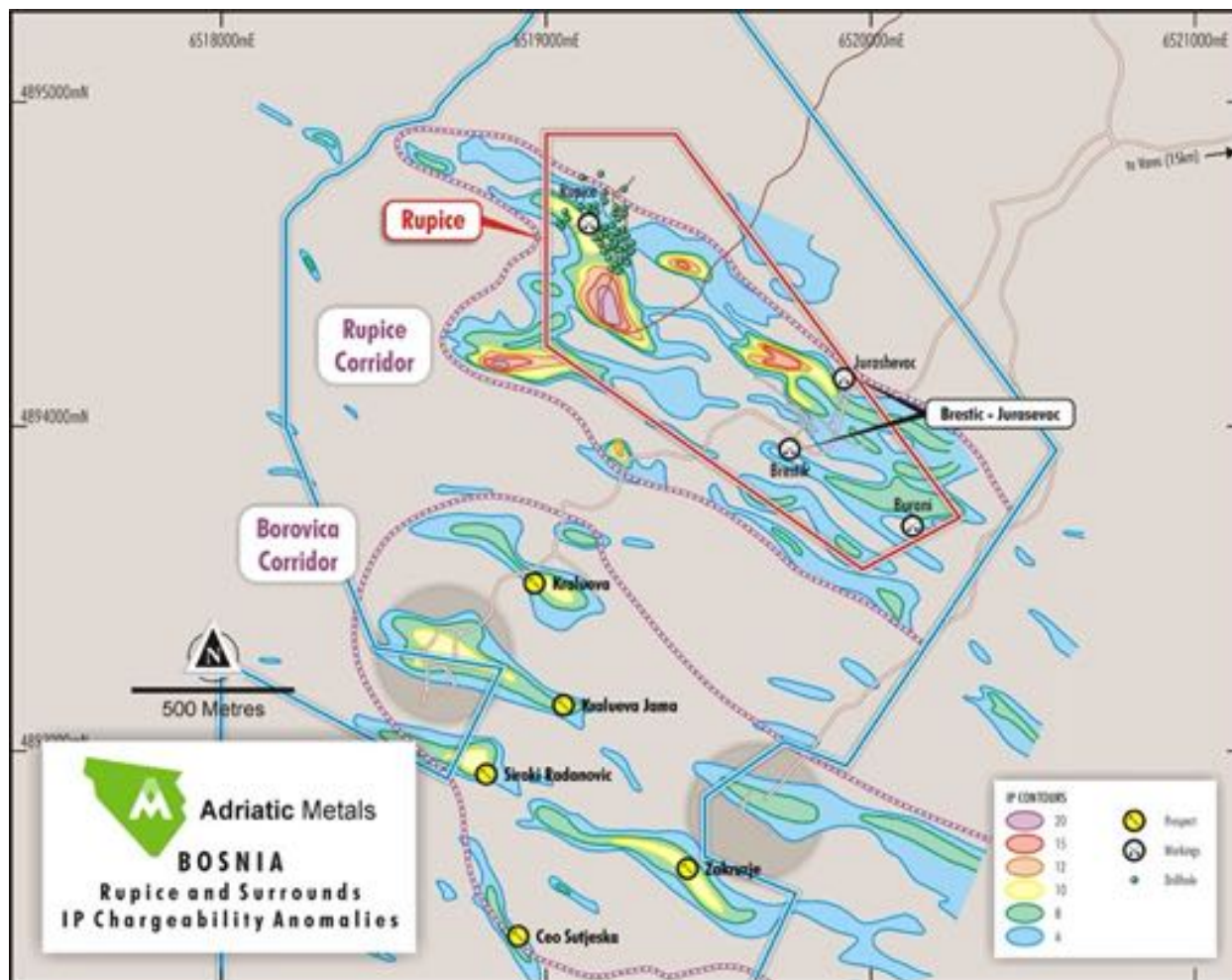


Figure 17: Plan view of Rupice and geophysical (IP) anomalies (100 m spaced lines)  
 Note: Contour units are Mv/Ms. The grid is MGI 1901/Balkans Zone 6.  
 Source: Adriatic

Adriatic completed eight holes at Rupice for 1,458 m in 2017. Drilling targeted down plunge of the mineralisation to confirm historical results and assay additional elements, including copper, gold and silver (Figure 19 and Figure 20, and Table 12). From this work, Adriatic concluded that mineralisation was open at depth and along strike and that all the Adriatic drill intersections of zinc and lead mineralisation included significant grades of gold, copper and silver that had only been sparsely assayed in historical sampling. Significant exploration potential existed adjacent and down dip to previous significant drill intersections, with the deepest drillhole by Adriatic, BR-1-17 intersecting 64 m at 5.1% Pb, 8.5% Zn, 1.0% Cu, 374 g/t Ag and 2.3 g/t Au (Table 12). Drillholes were all vertical and intersected the mineralisation at a high angle to the general dip so that true thickness of the intersections is likely to be 65% of the downhole intercept.

Based on the conclusions of the 2017 exploration program, Adriatic commenced a targeted 15,000 m drill program at Rupice on 7 May 2018. Drilling was split into three phases to test several key anomalies at Rupice and Brestic-Jurasevac (Figure 21). The first phase focused on targets in the Rupice north zone and followed the northerly extensions over 220 m of strike length (up to the then current licence boundary), including the expected down dip and down plunge extensions of the mineralisation.

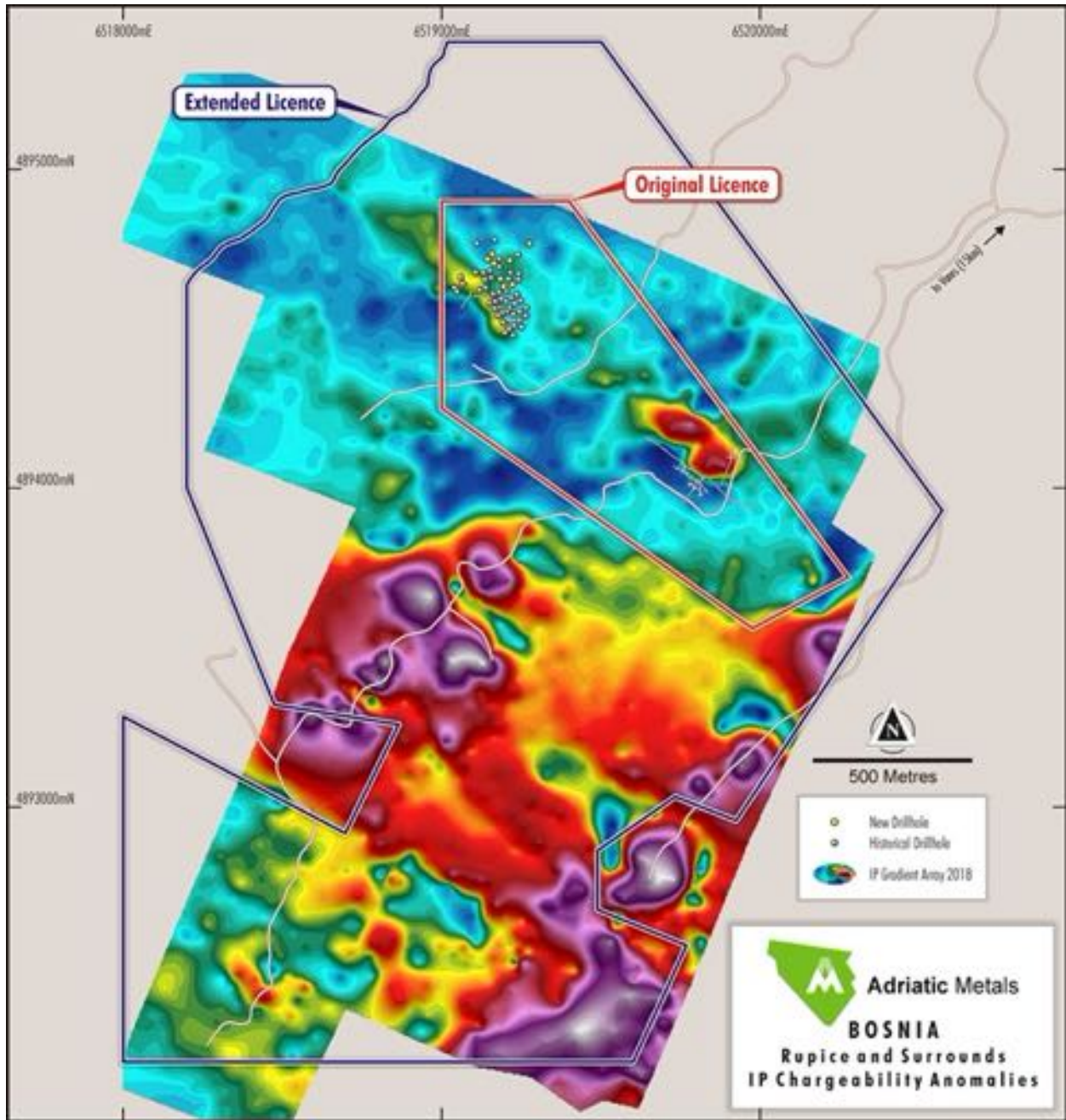


Figure 18: Plan view of the gradient array IP and prospects (100 m east-west grid; 50 dipoles) – the grid is MGI 1901/Balkans Zone 6  
Source: Adriatic (2019A)

Table 12: Adriatic 2017 drilling results at Rupice (using lead + zinc greater than of 1% with no more than two consecutive intervals below cut-off and a minimum of 5 m intervals)

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Cu (%)	Au (g/t)	Ag (g/t)
BR-1-17	180	66	8.3	5	42	0.9	2.2	385
BR-2-17	No significant intercept							
BR-3-17								
BR-4-17	146	32	5.4	3.9	67	0.2	3.3	360
BR-5-17	No significant intercept							
BR-6-17	116	22	1.8	1.7	26	0.3	1.8	161
BR-7-17	94	40	8.2	5.5	57	0.6	3.6	479
BR-8-17	120	14	1	1	2	1	0	32

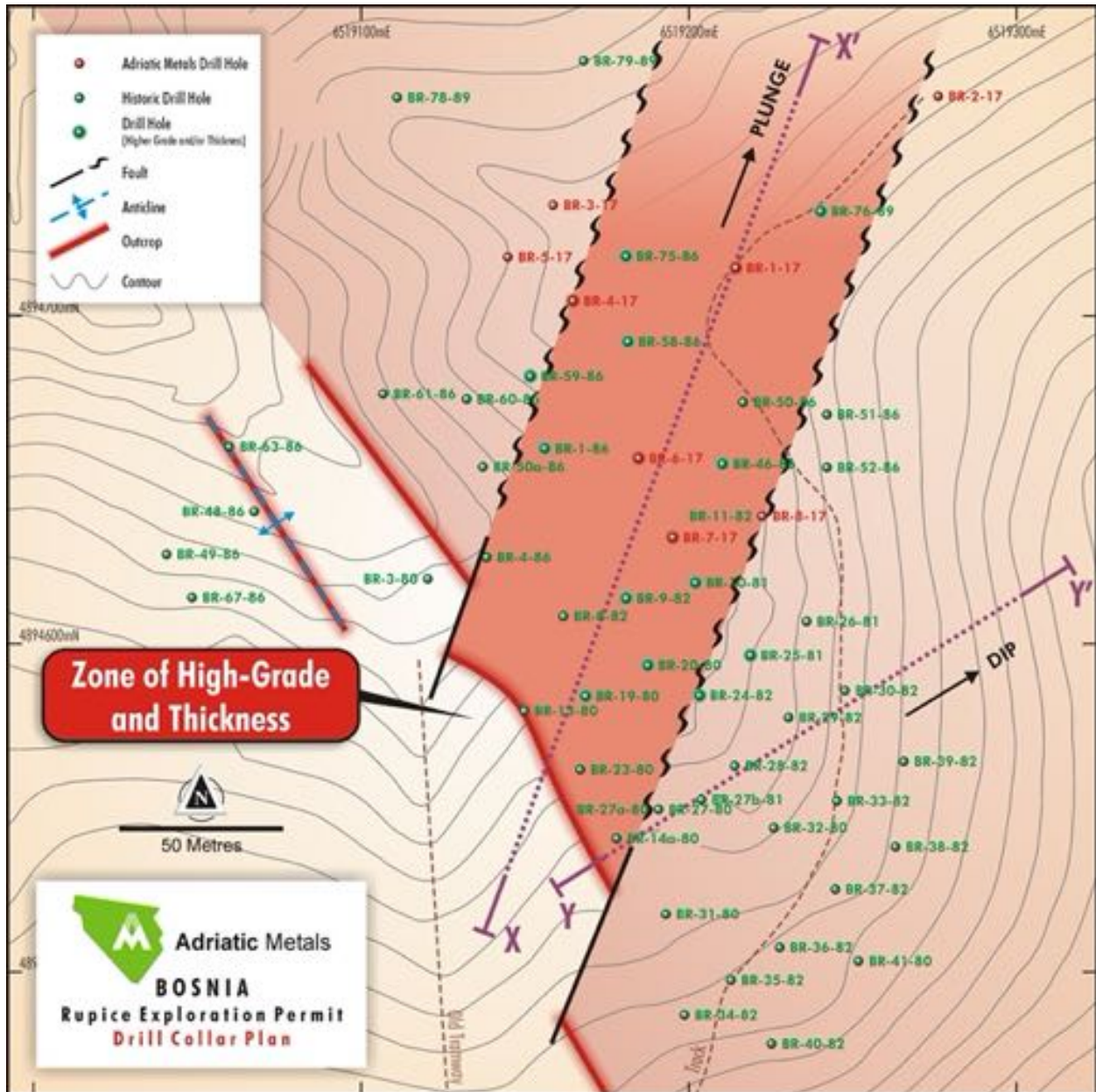


Figure 19: Plan view of plunging mineralised zone with Adriatic drilling at Rupice (the grid is MGI 1901/Balkans Zone 6)

Note: Figure modified from Adriatic website.

The northerly extension of Rupice was where both historical and 2017 drilling had intersected high grades of base and precious metals, and also where geophysics had shown possible extensions of the mineralisation to the northwest. Phase 2 targeted the southerly extension of the Rupice mineralisation, including the down-dip and up plunge extensions of the mineralisation over a strike length of 100 m. Phase 3 drilling targeted the area near the historical Brestic-Jurasevac underground workings and exploration drives, referred to as the JB Zone.

Significant results from the drilling returned to date (6 August 2019) are presented in Figure 22 and Figure 23, as well as in Table 13. From this work, Adriatic was able to define a maiden MRE for the Rupice project, as detailed in Section 2.8. As of 6 August 2019, drilling to the north in the extended Rupice licence area continues to intersect mineralisation which remains open down-plunge to the north.

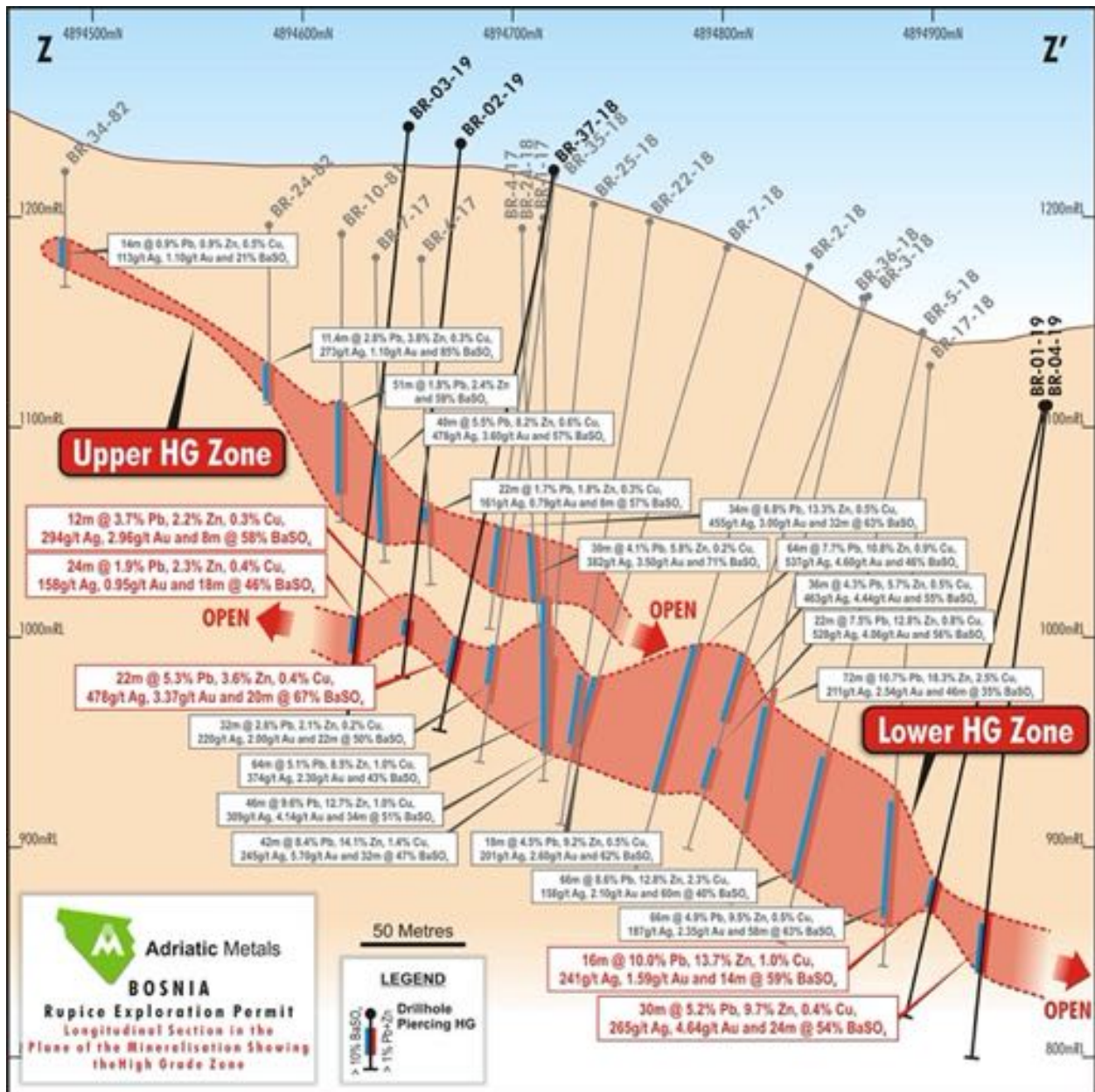


Figure 20: Long section of the mineralised zone at Rupice looking northeast, with recent Adriatic drilling (the grid is MGI 1901/Balkans Zone 6)

Source: Adriatic (2019C)

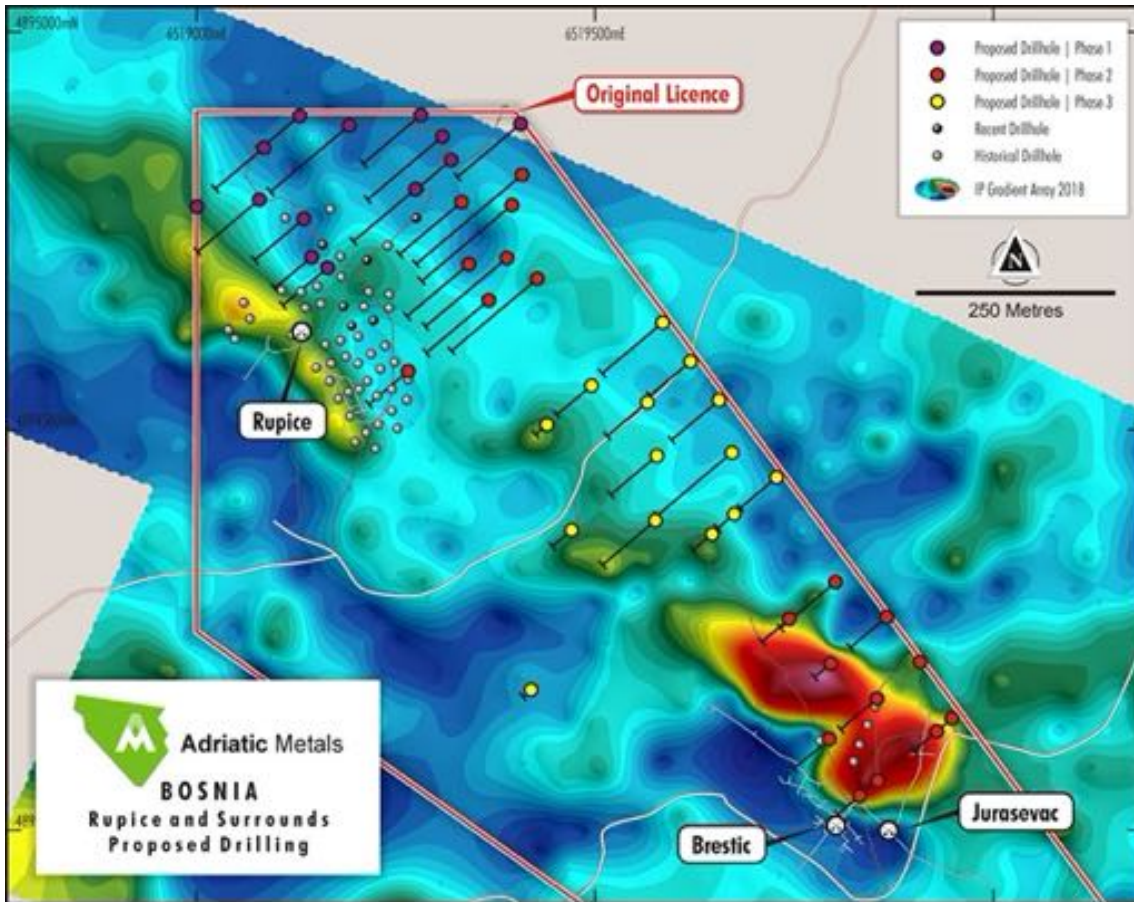


Figure 21: Rupice licence phase 1, 2 and 3 plan collar locations  
 Source: Adriatic (2018A)

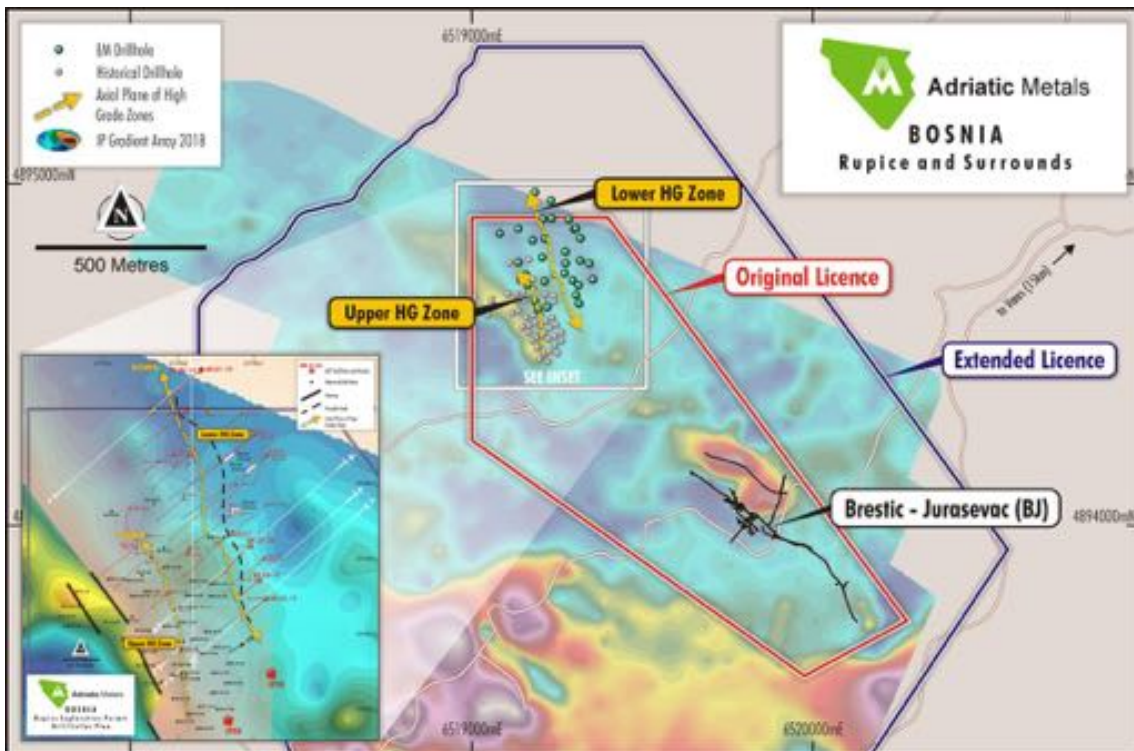


Figure 22: Rupice licence map with location of completed drilling (2019) in context of 2018 IP gradient anomalies  
 Source: Adriatic (2019C)

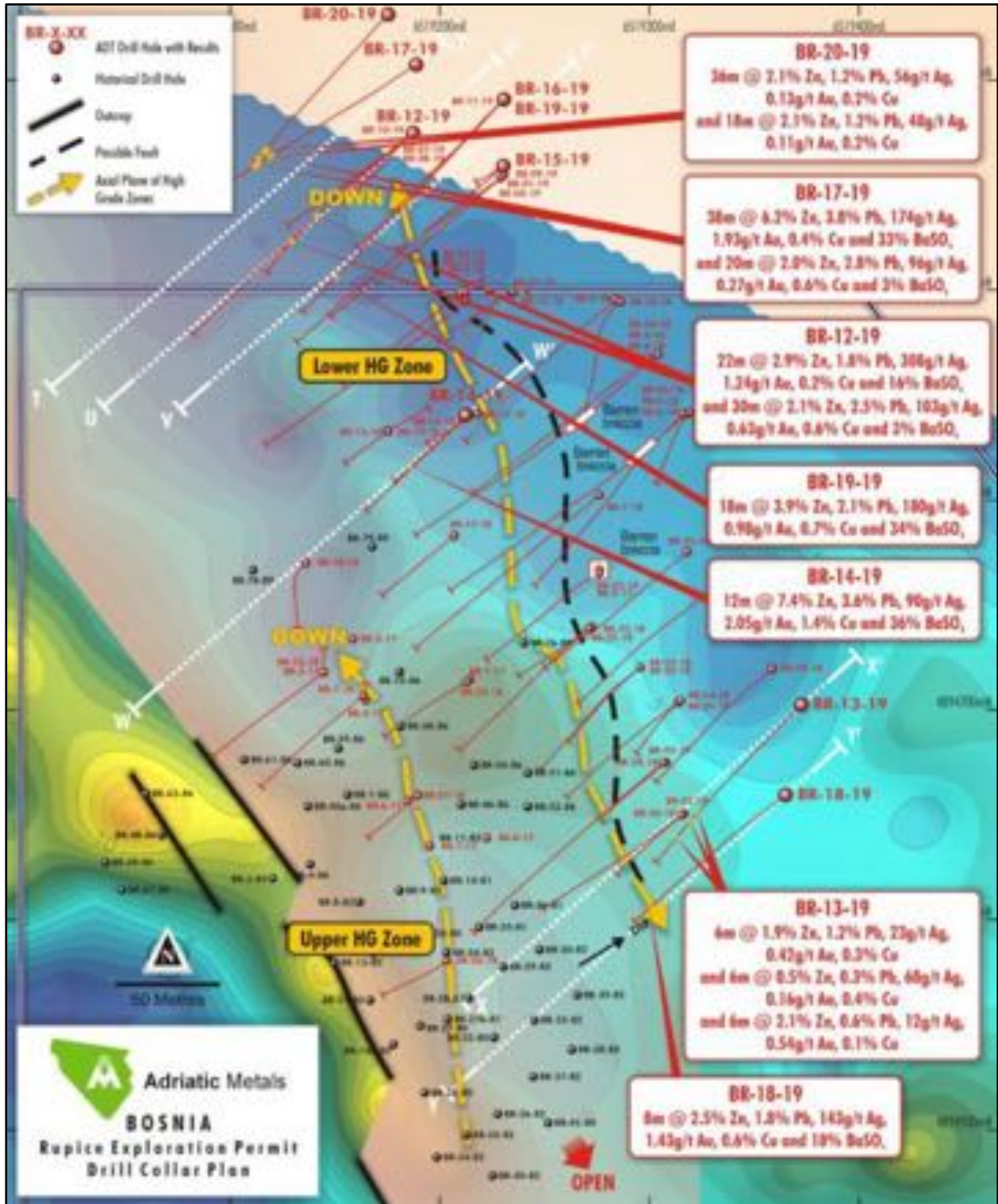


Figure 23: Plan map showing the location of drillholes (2019) with significant grade intercepts  
 Source: Adriatic (2019C)

Table 13: Adriatic 2018-2019 drilling results at Rupice (using lead + zinc greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval) as of 26 August 2019

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-01-18	Hole abandoned before target							
BR-02-18	210	68	10.3	7.3	44	4.3	612	0.8
BR-03-18	196	36	5.7	4.3	55	4.4	463	0.5
	244	22	12.8	7.5	56	4.1	258	0.8
BR-04-18	No significant intercept							
BR-05-18	210	66	12.8	8.6	37	2.1	158	2.3
BR-06-18	No significant intercept							
BR-07-18	228	18	9.2	4.5	62	2.6	201	0.5
BR-08-18	206	14	7.4	4.5	38	1.7	148	1.2
BR-09-18	No significant intercept							
BR-10-18	200	6	0.9	1.1	11	0.8	44	0.3
	238	32	9.6	5.2	50	3	238	0.5
BR-11-18	No significant intercept							
BR-12-18	200	18	8.2	4.2	27	1.4	131	0.8
BR-13-18	170	20	2	0.6	0	98.1	1	1.4
	220	24	14.8	7.7	53	3.7	167	0.7
BR-14-18	No significant intercept							
BR-15-18	194	8	0.5	0.8	53	1.4	43	0.1
BR-16-18	No significant intercept							
BR-17-18	204	66	9.5	4.9	56	2.4	187	0.5
BR-18-18	212	18	0.8	0.8	2	0.3	45	0.1
BR-19-18	No significant intercept							
BR-20-18	204	8	1.1	4.2	1	0.4	57	0.5
BR-21-18	No significant Intercept							
BR-22-18	222	42	14.1	8.4	34	5.7	245	1.4
BR-23-18	74	12	1.4	2.8	16	0.8	228	0.3
BR-24-18	146	34	13.3	6.8	60	3	455	0.5
BR-25-18	218	46	12.7	9.6	40	4.1	309	1
BR-26-18	44	6	1.5	1.2	28	0.6	63	0.2
BR-27-18	92	10	1.4	0.9	23	1	51	0.5
BR-28-18	No significant Intercept							
BR-29-18	218	6	1.8	2.2	66	3.2	252	0.3
	234	10	2.2	4.3	60	3.2	535	0.4
BR-30-18	No significant intercept							
BR-31-18	No significant intercept							
BR-32-18	192	16	1.3	1.4	4	0.4	49	0.2
	228	20	8.2	5.6	60	4.1	479	0.5
BR-33-18	228	36	4.9	3.2	45	2.7	306	0.5
BR-34-18	No significant intercept							
BR-35-18	228	20	2.9	3.9	51	3.1	349	0.4
BR-36-18	206	72	18.3	10.7	25	2.5	211	2.5
BR-37-18	212	8	1.5	1.5	20	0.9	281	0.2
	232	20	4	5.8	64	3.7	525	0.4
BR-38-18	No significant intercept							
BR-39-18	Hole abandoned before target							

Drillhole	From (m)	Interval (m)	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)
BR-01-19	206	10	0.9	0.2	4.3	0.7	26.6	0.1
	240	16	13.7	10	51.9	1.6	241	1
BR-02-19	218	6	3.1	2.4	38	2	193	0.2
	230	12	2.2	3.7	40	3	294	0.3
BR-03-19	216	6	2	2.2	52	2.9	460	0.4
	236	12	4	3	60	1.8	286	0.7
BR-04-19	250	26	11.1	6	50	5.3	304	0.4
BR-05-19	196	6	2.6	0.7	4	0	0	0
BR-06-19	252	14	1.2	0.6	0	0.3	14	0.8
BR-07-19	250	20	0.8	0.5	1	0.2	58	0.1
BR-08-19	202	16	1.6	1.7	29	1.4	208	0.3
	234	26	1.2	1.1	20	0.4	78	0.3
BR-09-19	232	28	3.3	2.4	29	1	162	0.3
BR-10-19	214	36	1.4	0.9	0	0.2	34	0.2
BR-11-19	258	8	4.4	2.8	55	3.2	364	0.3
	274	18	8.2	4.7	66	2.6	586	0.4
BR-12-19	176	22	2.9	1.8	16	1.24	308	0.2
	218	30	2.1	2.5	3	0.63	103	0.6
BR-13-19	198	6	2.1	0.6	1	0.54	12	0.1
	214	6	0.5	0.3	0	0.16	68	0.4
	242	6	1.9	1.2	4	0.42	23	0.3
BR-14-19	204	12	7.4	3.6	36	2.05	90	1.4
BR-17-19	208	38	6.2	3.8	33	1.93	174	0.4
	254	20	2	2.8	3	0.27	96	0.6
BR-18-19	230	8	2.5	1.8	18	1.43	143	0.6
BR-19-19	254	18	3.9	2.1	34	0.98	180	0.7
	284	8	0.7	0.4	1	0.1	26	0.1
BR-20-19	234	36	2.1	1.2	1	0.13	56	0.2
	280	18	2.1	1.2	1	0.11	48	0.2

*Note: During the 2017, 2018 and 2019 drilling completed by Adriatic, correlation of lithological units between diamond drillholes, particularly the lower contact of the Mine Sequence with the turbiditic sandstone, suggest bedding and bedding parallel foliation dip broadly at around 45-50° to the northeast. Typical drilling azimuths are 230° which is broadly orthogonal to the deposit stratigraphy, and with hole declinations generally 70° the high core to bedding angles indicate that drilling intersects the mineralisation at reasonably high angles suggesting that downhole intercepts for the most part approximate true thicknesses for latter, 2019 intercepts and for early holes intercepts are approximately 65% of true thickness. However, CSA Global notes that this can be variable as localised folding affects both bedding and mineralisation.*

In 2019, a detailed high-powered (30 kVA) IP survey using a pole-dipole three-dimensional (PDP3D) array method was completed over the Rupice and Brestic-Jurasevac target area. Preliminary results have demonstrated that the known mineralisation has a clear IP chargeability response. An additional anomaly has been defined approximately 200 m west of the current and historical drilling (Figure 24) in an untested location. 3D IP surveying continues at the Brestic-Jurasevac and Borovica Prospects identifying further exploration targets for later in 2019 and 2020 (Figure 25). Highly anomalous lead values in recent soil sampling coincides with the IP chargeability anomalies and Rupice prospect and some historical workings at Brestic-Jurasevac workings (Figure 26).

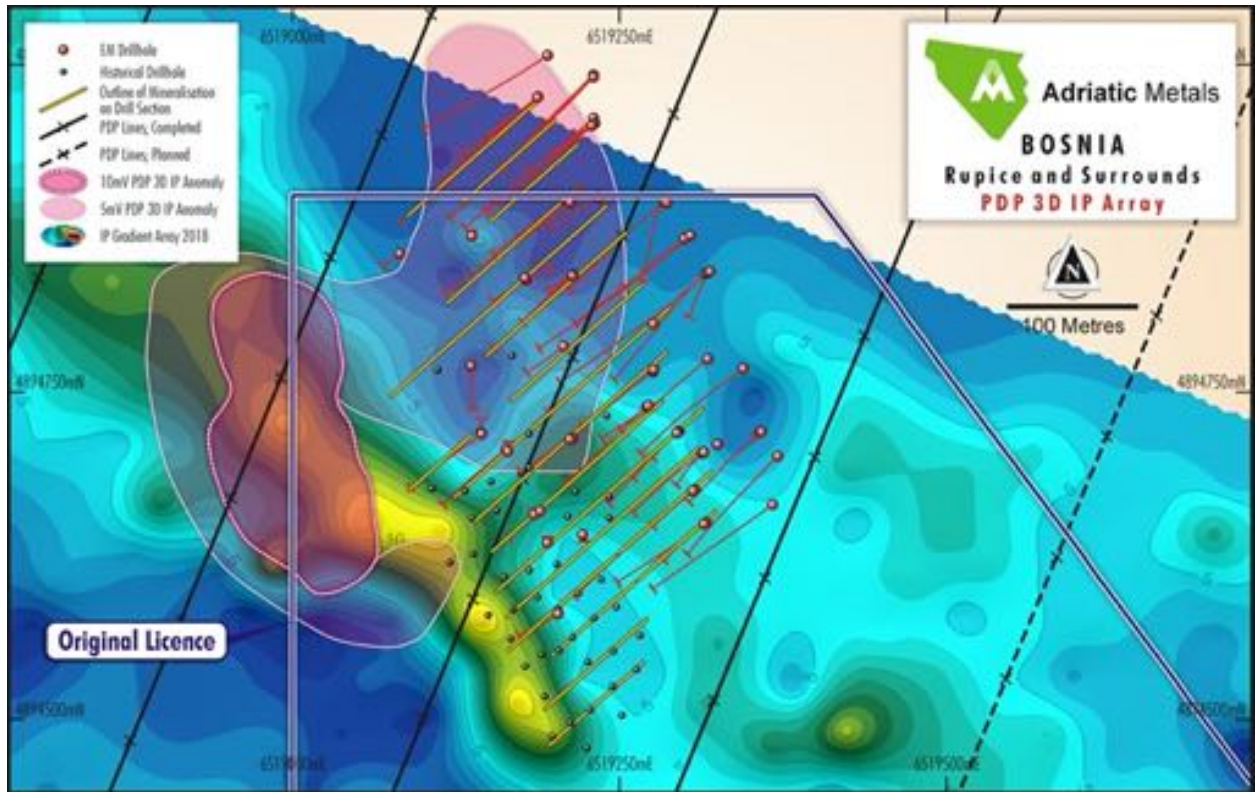


Figure 24: PDP3D IP response over and to the west of the Rupice mineralisation  
Source: Adriatic (2019D)

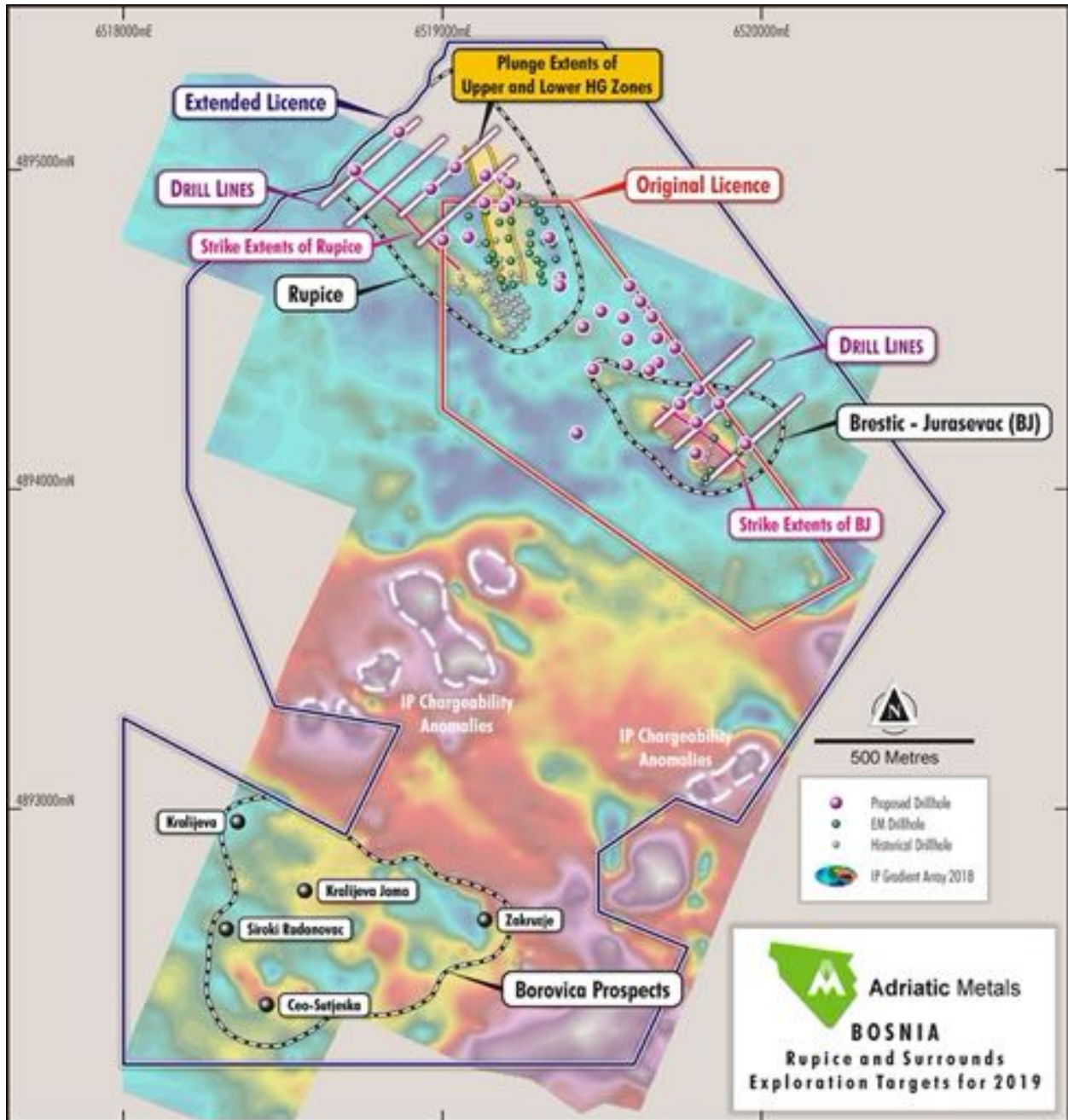


Figure 25: IP chargeability targets identified for follow-up work in 2019/2020  
 Source: Adriatic (2019B)

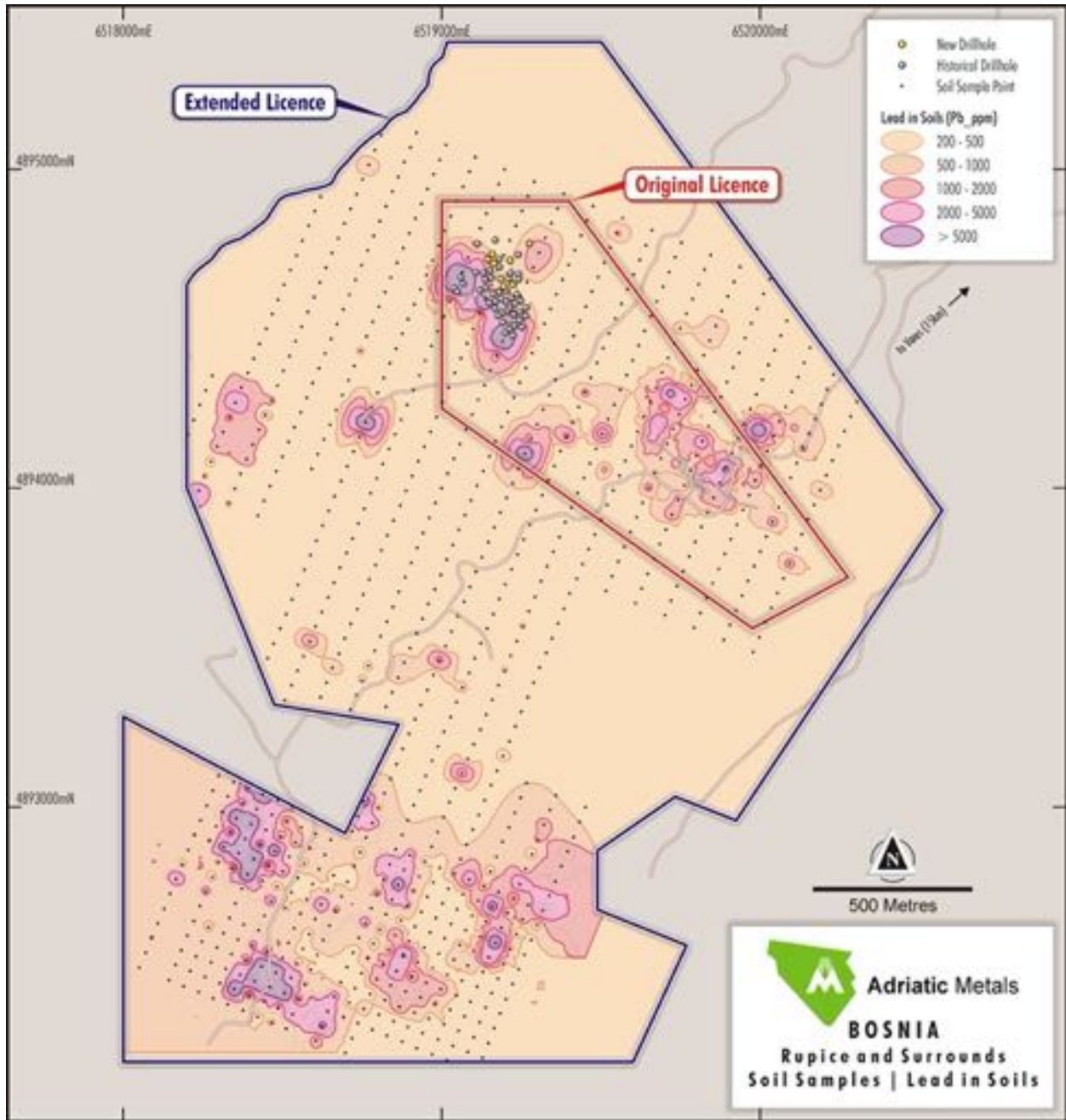


Figure 26: Soil sample lead results for the Rupice deposit and surrounding IP chargeability targets  
 Source: Adriatic (2019B)

### 2.6.3 Historical Data Validation

#### Veovača

In July 2017, Eastern Mining discovered a box containing 99 laboratory pulps from four drillholes drilled in 1970 (BV-II-1, BV-IV-2, BV-XIV-2, BV-XI-1). The box contained both single samples and duplicates, indicating that their procedure for sample preparation and eventual analysis did include quality control samples. Unfortunately, the number of duplicates and other QAQC samples used is not known.

A high level of correlation exists between historically reported assay results and results from re-assaying, and when combined with similar grades reported from twin-hole drilling activities (carried out in 2019), provides sufficient evidence that the historical assays are reliable and can be combined with the recent

assays for the purposes of Mineral Resource estimation. Examples are provided below (Figure 27, Figure 28).

*Rupice*

All the lead, zinc and barite assays from the drill campaigns of 1980, 1981, 1982, 1986 and 1990 were analysed at Energoinvest's laboratory at Vareš and their Certificate of Analysis are in a number of reports which are held by Eastern Mining. The Vareš laboratory began operations in the 1970s and analysed all the drill sample material for the Veovača exploration and as such the acceptable assay QAQC findings for Veovača are considered to apply equally to Rupice.

As part of its drilling to add copper and precious metals in areas where historical drilling had not assayed for these elements, Eastern Mining drilled BR-24-18 (2018) as a "near twin hole" to historical drillhole BR-58-86. A comparison of the assay results for lead, zinc and barite demonstrates very good correlation (notwithstanding the somewhat variable nature of the mineralisation) and provides assurance of the validity of the historical assays in both grade and width of mineralisation (Figure 27). The historical assays are therefore considered reliable and can be combined with the recent assays for the purposes of the MRE.

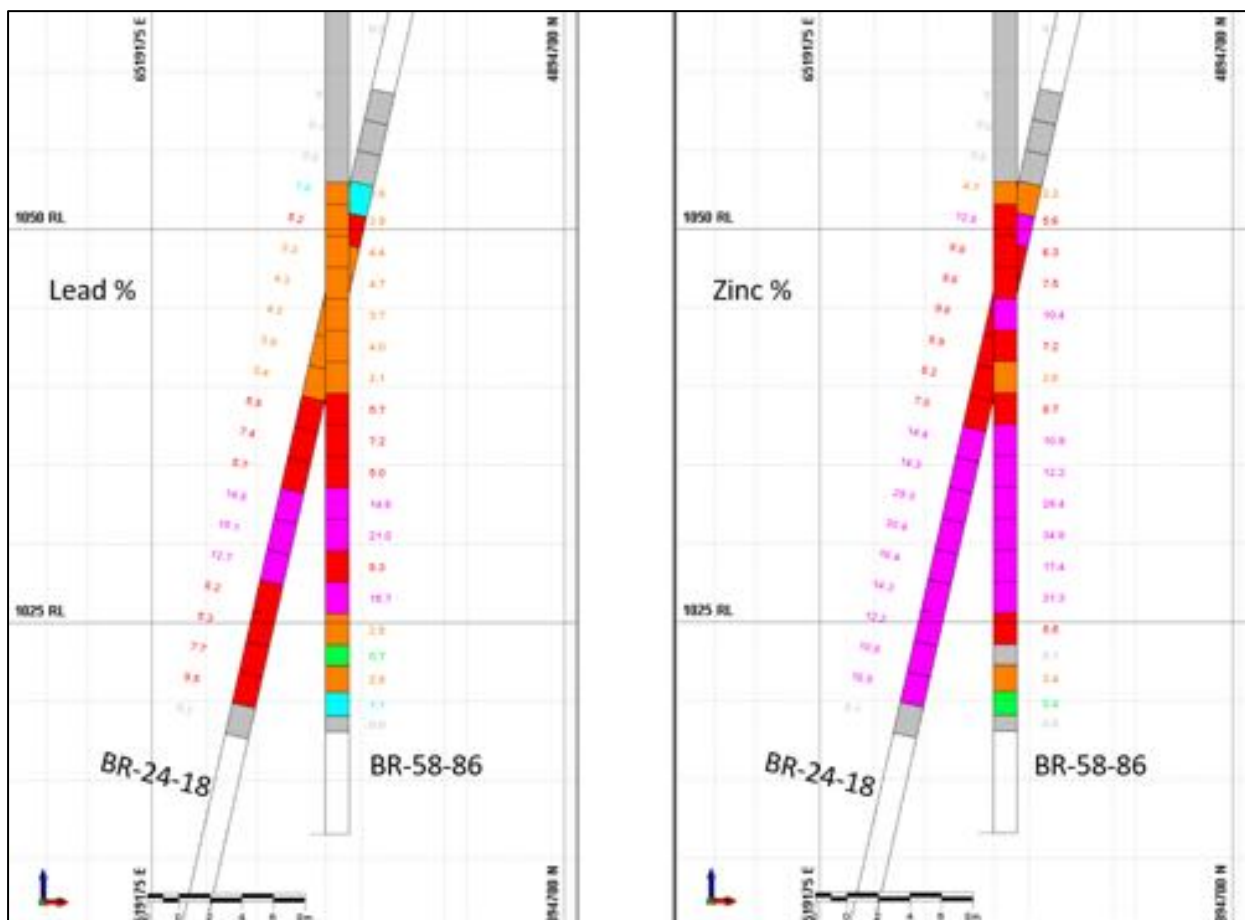


Figure 27: Lead and zinc assay comparison (BR-58-86 and BR-24-18)

**2.7 Veovača Mineral Resource Estimate**

The first MRE for the Veovača deposit reported under the JORC Code (2012 Edition) was prepared in February 2018 by Mr Dmitry Pertel from CSA Global. Adriatic commissioned CSA Global to update the MRE for the deposit following additional exploration drilling in 2019. Both the Veovača and Rupice estimates

rely significantly on historical drilling data, which was validated through a pulp re-assay and twin drilling program (Section 2.6.3).

### 2.7.1 Mineral Resource Overview

Adriatic provided databases including drillhole logging, sampling, analytical results and collar locations. Mr Robert Annett of Adriatic Metals completed the data quality evaluation for the Veovača deposit (QAQC analysis), whilst Mr Dmitry Pertel of CSA Global prepared the MRE. The Competent Persons (Adriatic press release, 23 July 2019) consider the quality of drilling, sampling, logging, core recovery, and geological description to be of a reasonable standard sufficient for MRE purposes.

CSA Global notes that there is no central master drillhole database for the project, and strongly recommends that a central master database should be established as a “single point of truth” with appropriate data management protocols.

Historical data comprises 51 historical drillholes, adit sampling and open pit grade control samples, and 33 drillholes from Adriatic's 2017 (16 holes) and 2019 (17 holes) programs. These were used to define the geometry of the mineralisation. Several of Adriatic's drillholes twinned historical holes whilst others infilled the historical drilling in areas of particular interest. The assays (both recent and historical) are of sufficient industry standard and considered appropriate for MREs.

A zinc equivalence calculation was used as a mechanism to report the polymetallic block model above cut-off grades. An assumed recovery of 90% was based on historical production records from the Veovača open pit; metallurgical testing is in progress to confirm this assumption. The cut-off grades were applied to the zinc equivalent (ZnEq) values in the block model only; the ZnEq values themselves were not reported as they were generated only to facilitate the reporting of the estimated lead, zinc, barite, gold and silver grades. The ZnEq formula applied was:

$$\text{ZnEq} = \text{Zn\%} * 90\% + 0.8 * \text{Pb\%} * 90\% + 0.08 * \text{BaSO}_4\% * 90\% + 1.8 * \text{Au(g/t)} * 90\% + 0.019 * \text{Ag(g/t)} * 90\%$$

The MRE has been reported in accordance with the JORC Code and is therefore suitable for public release. The MRE is reported by classification in Table 14, above a cut-off grade of 0.6% ZnEq.

Table 14: Veovača MRE by classification – 1 June 2019

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Zn (kt)	Pb (kt)	BaSO <sub>4</sub> (kt)	Au (koz)	Ag (Moz)
Indicated	5.3	1.6	1.0	16	0.1	50	83	55	860	14	9
Inferred	2.1	1.1	0.5	6	0.1	17	23	11	123	4	1
<b>Total</b>	<b>7.4</b>	<b>1.4</b>	<b>0.9</b>	<b>13</b>	<b>0.1</b>	<b>41</b>	<b>106</b>	<b>66</b>	<b>984</b>	<b>18</b>	<b>10</b>

Notes:

- Mineral Resource classifications are based on JORC Code definitions.
- The figures presented above are both gross and 100% net attributable to Adriatic.
- The operator is Adriatic.
- Source: The Competent Person for the MRE is Mr Dmitry Pertel, a Member of the AusIMM and employed by CSA Global.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 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<sub>4</sub>, US\$1,400/oz for gold and US\$15/oz for silver.
- The applied formula was:  $\text{ZnEq} = \text{Zn\%} * 90\% + 0.8 * \text{Pb\%} * 90\% + 0.08 * \text{BaSO}_4\% * 90\% + 1.8 * \text{Au(g/t)} * 90\% + 0.019 * \text{Ag(g/t)} * 90\%$ .
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- It is the opinion of Adriatic and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- A bulk density was calculated for each model cell using regression formula  $\text{BD} = 2.70855 + \text{BaSO}_4 * 0.01487 + \text{Pb} * 0.03311 + \text{Zn} * 0.03493$ .

- Rows and columns may not add up exactly due to rounding.

Whilst the Veovača deposit is primarily seen as a lead and zinc deposit with precious metal credits, particularly silver, Adriatic propose to mine and produce barite as a by-product which is an industrial mineral. Clause 49 of the JORC Code requires industrial minerals to be reported in terms of the mineral or minerals on which the project is to be based and must include the specification of these minerals. Key characteristics including likely product specifications, proximity to markets and general marketability have been considered and the Competent Persons are satisfied that this information supports the inclusion of barite in the MRE. Additional detail surrounding Clause 49 is provided in the report body.

Note that the previous Mineral Resource at 1 January 2018 did not include gold and silver for the full extents of the mineralisation model (the 2019 drilling has now infilled areas where previously there was insufficient data to estimate silver and gold mineralisation).

There are underground exploration drives at Veovača some of which have been intersected by the recent drilling, although the adit portal(s) are now collapsed. These are not considered significant, and the MRE has not been depleted for these workings. The MRE lies beneath the current pit floor and all the mineralisation is primary (sulphide).

Mineralisation wireframes were developed separately for each element using individual cut-off grades that were established using geostatistical analysis. Five elements were modelled; zinc, lead, barite, gold and silver, and three of them (barite, silver and gold) had two grade domains interpreted and modelled. A representative 3D view of the completed wireframes for zinc is shown in Figure 28.

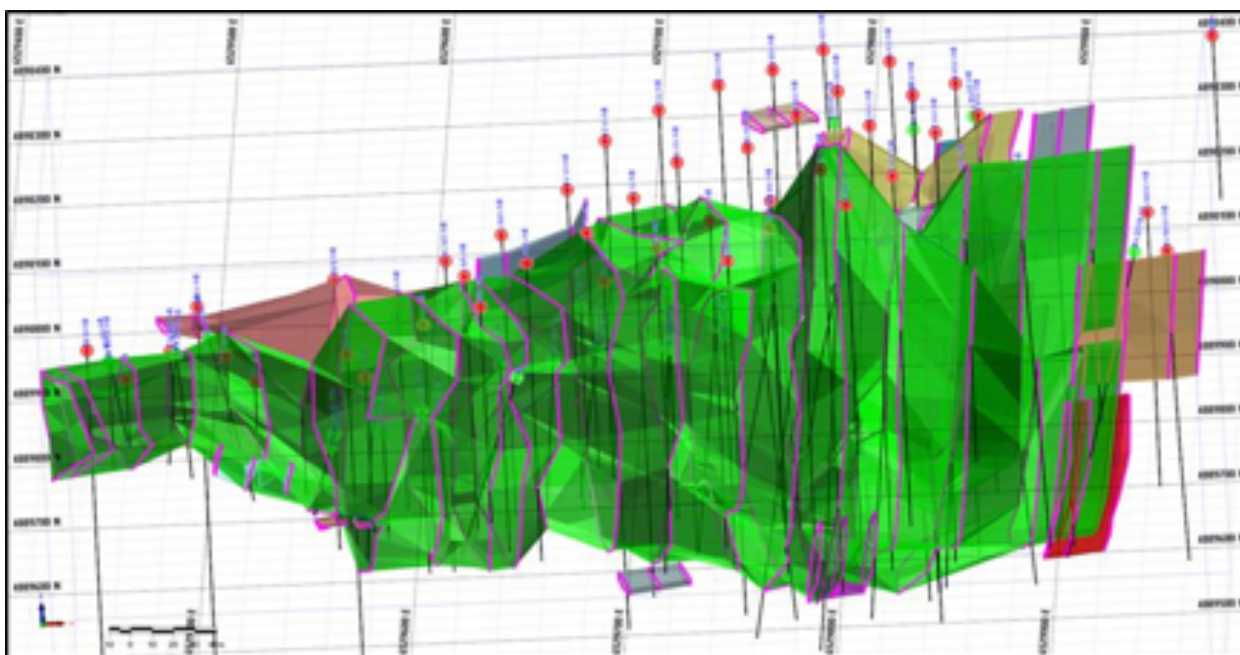


Figure 28: Reporting wireframes (the grid is MGI 1901/Balkans Zone 6)  
Source: Adriatic (2019E)

A block model constrained by the interpreted mineralised envelopes was constructed. A parent cell size of 10 m(E) x 10 m(N) x 10 m(RL) was adopted with standard sub-celling to 2 m(E) x 2 m(N) x 2 m(RL) to maintain the resolution of the mineralised lenses. Samples composited to 2 m length were used to interpolate all grades into the block model using ordinary kriging interpolation techniques. Block grades were validated both visually and statistically, and all modelling was completed using Micromine software.

The following observations and recommendations apply to the model:

- Current quality assurance procedures should be maintained to ensure high-quality data is available for subsequent resource estimates.

- Continued focus should be placed on the improvement of the geological model. In particular, gaining a more detailed understanding of the controls to the mineralisation (including the interrelationship of Zn, Pb, Ag, Au and BaSO<sub>4</sub>) is required to validate the existing domaining approach.
- Additional metallurgical testwork is recommended to support the proposed conventional flotation process and provide greater confidence in processing recoveries and other metallurgical parameters, particularly those relating to barite. Testwork should be based on a geometallurgical model to ensure that the variability within the deposit is tested on a representative basis.
- A scoping study and prefeasibility study should be completed for the deposit, including testing the sensitivity of the model to the main variables impacting project economics, such as metallurgical recoveries, metal prices, mining costs and processing costs.
- Further exploration at the flanks and depth of the deposit should be completed and may result in an increase in the MRE.
- Geotechnical and hydrogeological drilling and assessment is required to support pit wall stability, mining parameters and cost estimation.
- Comparison between the updated MRE and the previous MRE (February 2018) reveals that the difference between the base metals is not significant because the overall volume of the modelled wireframes did not increase significantly. The estimate of the precious metals has changed significantly because the 2018 model excluded gold and silver grades from almost half of the deposit where assays for precious metals were missing at the time.

### 2.7.2 Reasonable Prospects Hurdle

Clause 20 of the JORC (2012) Code requires that all reports of Mineral Resources must have reasonable prospects for eventual economic extraction, regardless of the classification of the resource.

The Competent Person deems that there are reasonable prospects for eventual economic extraction on the following basis:

- All mineralisation bodies are relatively close to the surface and exposed at the base of the existing pit and therefore potentially amenable to open pit mining
- Historical mineral processing and recent metallurgical testwork confirm that the Veovača mineralisation is amenable to flotation processing
- Preliminary metallurgical testwork by WAI to produce a barite concentrate from Veovača mineralisation using flotation methods has confirmed that a barite concentrate may meet API specifications
- The cut-off grade adopted for reporting (0.6% ZnEq) is considered reasonable given the Mineral Resource is likely to be exploited by open cut mining methods and processed using flotation techniques
- Preliminary open pit optimisation tests (refer to Section 19.2 in CSA Global R320.2019 report) confirmed that the deposit has potentially positive net present value (NPV), and that almost the entire mineralised zone is potentially mineable using open pit methods under the given economic scenario and parameters.

### 2.7.3 Mineral Resource Classification

The MRE has been classified as Indicated and Inferred based on the JORC Code guidelines. The classification level is based upon an assessment of geological understanding of the deposit, geological and grade continuity, drillhole spacing, quality control results, search and interpolation parameters, and an analysis of available density information. The deposit appears to be of sufficient grade, quantity, and

coherence to have reasonable prospects for eventual economic extraction, which was assessed by carrying out a conceptual pit optimisation.

The Mineral Resource was classified in accordance with guidelines contained in the JORC Code. The classification reflects the Competent Persons' views of the strengths and weaknesses associated with the Mineral Resources reported herein, as well as the data upon which the estimate was based. Key criteria that were considered when classifying the Mineral Resource are described in JORC Table 1, which is included in the Adriatic MRE update press release (Adriatic, 2019). The MREs are based on historical drilling results generally obtained between 1967 and 1979, the drilling of 16 twin and/or infill holes during April to October 2017, and 17 holes during the recent 2018–2019 campaigns. The MRE was classified as Indicated and Inferred, reflecting the following observations:

- The close spacing between drillholes
- Accurate survey control (east, north, elevation) for the historical drillholes
- Reasonable confidence in the grade continuity
- Reasonable correlation between the assay results from the twin and infill drillholes (2017), and that of its nearest historical neighbour
- A sufficient number of bulk density determinations.

The following approach was adopted:

- **Measured Resources:** Not reported.
- **Indicated Resources:** Indicated Mineral Resources categorisation was assigned to blocks with the drill density not exceeding approximately 30 m x 30 m with at least two mineralisation intersections on exploration lines. Geological structures are relatively well understood and interpreted.
- **Inferred Resources:** Inferred Mineral Resources are model blocks lying outside the Indicated wireframes, which still display reasonable strike continuity and down dip extension, based on the current drillhole and trench intersections.

## 2.8 Rupice Mineral Resource Estimate

Adriatic commissioned CSA Global Pty Ltd (CSA Global) to prepare an MRE for the Rupice polymetallic deposit. Significant reliance has been placed on historical drilling data, which was subjected to a validation program comprising limited twin-hole drilling (Section 2.6.3).

### 2.8.1 Mineral Resource Overview

Adriatic provided databases including drillhole logging, sampling, analytical results and collar locations. Mr Annett performed an evaluation of the quality of the data for the Rupice deposit (quality assurance/quality control analysis), whilst Mr Pertel prepared the MRE. The quality of drilling, sampling, logging, core recovery, and geological description is of a reasonable standard sufficient for MRE purposes.

CSA Global notes that there is no central master drillhole database for the project, and strongly recommends that a central master database should be established as a 'single point of truth' with appropriate data management protocols.

Historical data comprises 49 historical drillholes and 57 drillholes from Adriatic's 2017 (eight holes), 2018 (39 holes) and 2019 (10 holes) programs. These were used to define the geometry of the mineralisation. Several of Adriatic's drillholes twinned historical holes, others infilled the historical drilling whilst most of the 2018 and 2019 drillholes extended the mineralisation both to the north and south. The assays (both recent and historical) are of sufficient industry standard and considered appropriate for MREs.

The MRE has been reported in accordance with the JORC Code and it is therefore suitable for public release. The MRE is reported by classification in Table 15, above a cut-off grade of 0.6% ZnEq.

Table 15: Rupice MRE by classification – 1 June 2019

JORC classification	Tonnes (Mt)	Grades						Contained metal					
		Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (kt)	Pb (kt)	BaSO <sub>4</sub> (kt)	Au (koz)	Ag (Moz)	C (kt)
Indicated	7.5	5.7	3.7	34	2.0	207	0.6	430	278	2,590	470	50	46
Inferred	1.9	2.5	1.6	18	0.9	86	0.3	50	30	330	60	5	6
<b>Total</b>	<b>9.4</b>	<b>5.1</b>	<b>3.3</b>	<b>31</b>	<b>1.8</b>	<b>183</b>	<b>0.6</b>	<b>480</b>	<b>310</b>	<b>2,920</b>	<b>530</b>	<b>55</b>	<b>52</b>

Notes:

- Mineral Resource classifications are based on JORC Code definitions.
- The figures presented above are both gross and 100% net attributable to Adriatic.
- The operator is Adriatic.
- Source: The Competent Person for the MRE is Mr Dmitry Pertel, a Member of the AusIMM and employed by CSA Global.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq – Zinc equivalent was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 1.80 for gold, 0.019 for silver and 2.40 for copper, 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<sub>4</sub>, US\$1,400/oz for gold, US\$15/oz for silver and US\$6,000 for copper.
- The applied formula was:  $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\% + Cu\% * 2.4 * 90\%$ .
- It is the opinion of Adriatic and the Competent Persons that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent testwork results.
- A bulk density was calculated for each model cell using regression formula  $BD = 2.88143 + BaSO_4 * 0.01555 + Pb * 0.02856 + Zn * 0.02012 + Cu * 0.07874$  for the barite high-grade domain and  $BD = 2.76782 + BaSO_4 * 0.01779 + Pb * 0.03705 + Zn * 0.02167 + Cu * 0.07119$  for the barite low-grade domain (the barite domains were interpreted using 30% BaSO<sub>4</sub>).
- Rows and columns may not add up exactly due to rounding.

Whilst the Rupice deposit is primarily seen as a lead and zinc deposit with precious metal credits, Eastern Mining propose to mine and produce barite, which is an industrial mineral, as a by-product. Clause 49 of the JORC Code requires industrial minerals to be reported in terms of the mineral or minerals on which the project is to be based and must include the specification of these minerals. Key characteristics including likely product specifications, proximity to markets and general marketability have been considered and the Competent Persons are satisfied that this information supports the inclusion of barite in the MRE. Additional detail surrounding Clause 49 is provided in the report body.

A total of 106 diamond drillholes for 20,295 m define the Rupice deposit. Eighty-seven assayed drillholes intersect the interpreted mineralisation zones. The Rupice deposit was sampled using diamond drillholes at nominal 20 m spacing on 20 m northeast-southwest oriented sections.

Holes drilled by Adriatic were generally angled –60° to –80° towards the southwest with dip angles set to optimally intersect the mineralised bodies, whilst most of the historical holes were vertical.

Mineralisation wireframes were developed separately for each element using individual cut-off grades that were established by the geostatistical analysis. Six elements were modelled; Zn, Pb, BaSO<sub>4</sub>, Cu, Au and Ag, and four of them had two grade domains interpreted and modelled. A representative 3D view of the completed wireframes for zinc, low-grade domain, is shown in Figure 29.

A block model constrained by the interpreted mineralised envelopes was constructed. A parent cell size of 10 m(E) x 10 m(N) x 5 m(RL) was adopted with standard sub-celling to 2 m(E) x 2 m(N) x 1 m(RL) to maintain the resolution of the mineralised lenses. Samples composited to 2 m length were used to interpolate all grades into the block model using ordinary kriging interpolation techniques. Block grades were validated both visually and statistically and all modelling was completed using Micromine software.

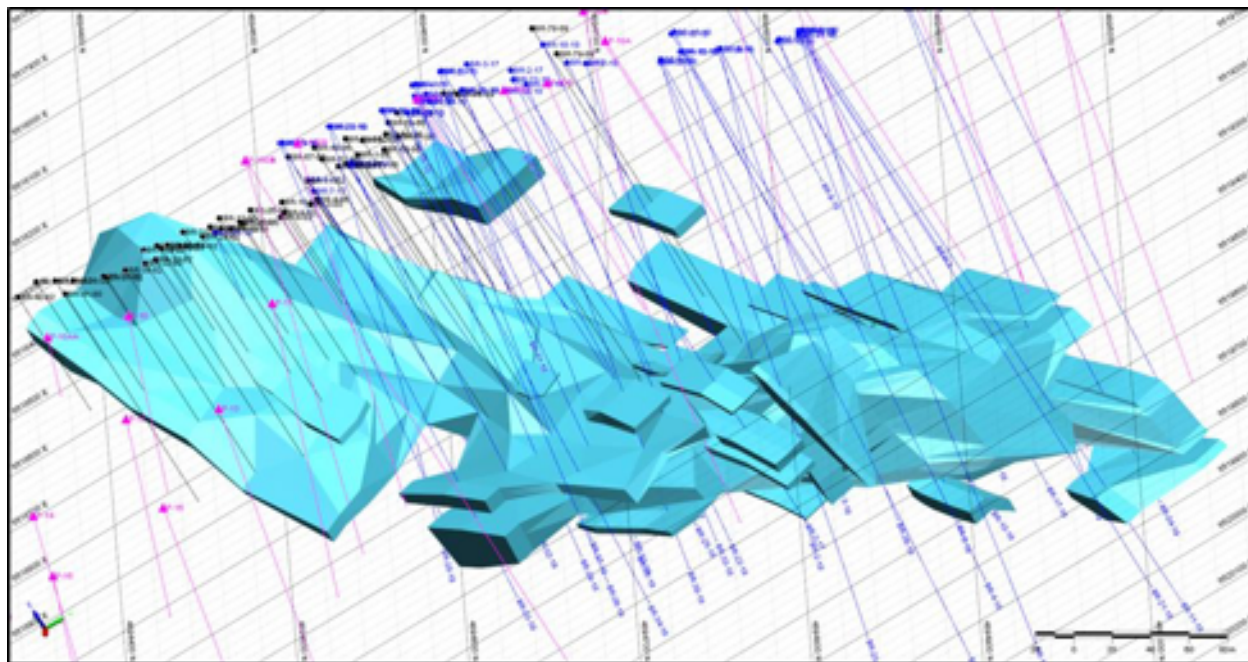


Figure 29: Wireframe models for zinc, low-grade domain (looking west)  
Source: Adriatic (2019E)

### 2.8.2 Reasonable Prospects Hurdle

Clause 20 of the JORC (2012) Code requires that all reports of Mineral Resources must have reasonable prospects for eventual economic extraction, regardless of the classification of the resource. The Competent Person deems that there are reasonable prospects for eventual economic extraction on the following basis:

- All mineralisation bodies are relatively close to the surface and therefore potentially amenable to lower cost open pit mining
- Metallurgical testwork by WAI has confirmed that the Rupice mineralisation is amenable to flotation processes
- Preliminary metallurgical testwork by WAI to produce a barite concentrate from Rupice mineralisation using flotation methods has confirmed that a barite concentrate may meet the API specifications
- A marketing study by a leading consultant (Peter Harben Inc., December 2017) in the field of barite confirmed that there is an opportunity to enter the market as a niche player leveraging any logistical advantages for a supplier in BiH and the neighbouring countries
- The cut-off grade adopted for reporting (0.6% ZnEq) is considered reasonable given the Mineral Resource may be exploited by open cut mining methods and processed using flotation techniques
- Preliminary open pit optimisation tests confirmed that the deposit has a conceptually positive NPV, and that almost the entire mineralised zone is potentially mineable using open pit methods under the given economic scenario and parameters (Table 16).

Table 16: Pit optimisation parameters (Base Case) associated with the Rupice MRE

Parameters	Units	Value
<b>1. Mining</b>		
Ore mining cost	US\$/t	1.80
Waste mining cost	US\$/t	1.53
Mining losses	%	5
Mining dilution	%	5
<b>2. Processing</b>		
Processing cost (per 1 tonne of ore, including admin costs)	US\$/t	15
Smelting cost (per 1 tonne of metal)	US\$/t	0
<b>Processing recovery:</b>		
ZnEq (in-built in the ZnEq formula 90% recovery)	%	100
<b>3. Pricing</b>		
Elements price:	US\$/unit	
ZnEq	US\$/t	2,500
Selling cost	US\$/unit	0
<b>4. Other to optimisation</b>		
Density parameters for ore	t/m <sup>3</sup>	in model
Density parameters for waste	t/m <sup>3</sup>	2.70
General pit slopes	°	55

### 2.8.3 Mineral Resource Classification

The classification level is based upon an assessment of geological understanding of the deposit, geological and mineralisation continuity, drillhole spacing, quality control results, search and interpolation parameters and an analysis of available density information.

The classification reflects the Competent Persons' views of the strengths and weaknesses associated with the Mineral Resources reported herein, as well as the data upon which the estimate was based. Key criteria that were considered when classifying the Mineral Resource are described in JORC Table 1, which is included in the maiden MRE press release (Adriatic, 2019).

The following approach was adopted:

- **Measured Resources:** Not reported.
- **Indicated Resources:** It was decided that Indicated Mineral Resources be assigned to blocks which were explored with the drill density not exceeding approximately 40 m x 40 m with at least two mineralisation intersections on exploration lines. Geological structures are relatively well understood and interpreted.
- **Inferred Resources:** Inferred Mineral Resources are model blocks lying outside the Indicated wireframes, which still display reasonable strike continuity and down dip extension, based on the current drillhole and trench intersections.

## 2.9 Metallurgical Studies

### 2.9.1 Sample Collection

Metallurgical samples were taken over intervals of 2 m from half diamond core (HQ) after the analytical laboratory had crushed the material to 100% passing 2 mm.

At Veovača, 97 samples were collected from each of the nine drillholes (BV-2017-1 to BV-2017-9) available for sampling. Each sample was variously reduced in size to about 1 kg using a Davis riffle splitter and composited to make a single bulk sample of around 100 kg. The samples were collected across the entirety of the drilling to ensure the bulk sample grade matched the average grade of the mineralisation block

model which was current at that time (Table 17). The estimated grade of the bulk sample is reported in Table 17 alongside the head grade from the recent work completed by Wardell Armstrong International (WAI – refer Section 2.9.2), and the current grades reported in this MRE for that part of the block model that lies inside the proposed pit.

Table 17: Veovača bulk sample head grade

Bulk sample	Zn (%)	Pb (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
Composite average	1.6	1.1	16	0.09	56
WAI head grade	1.7	1.2	11	0.10	59
MRE (within pit)	1.7	1.0	16	0.10	52

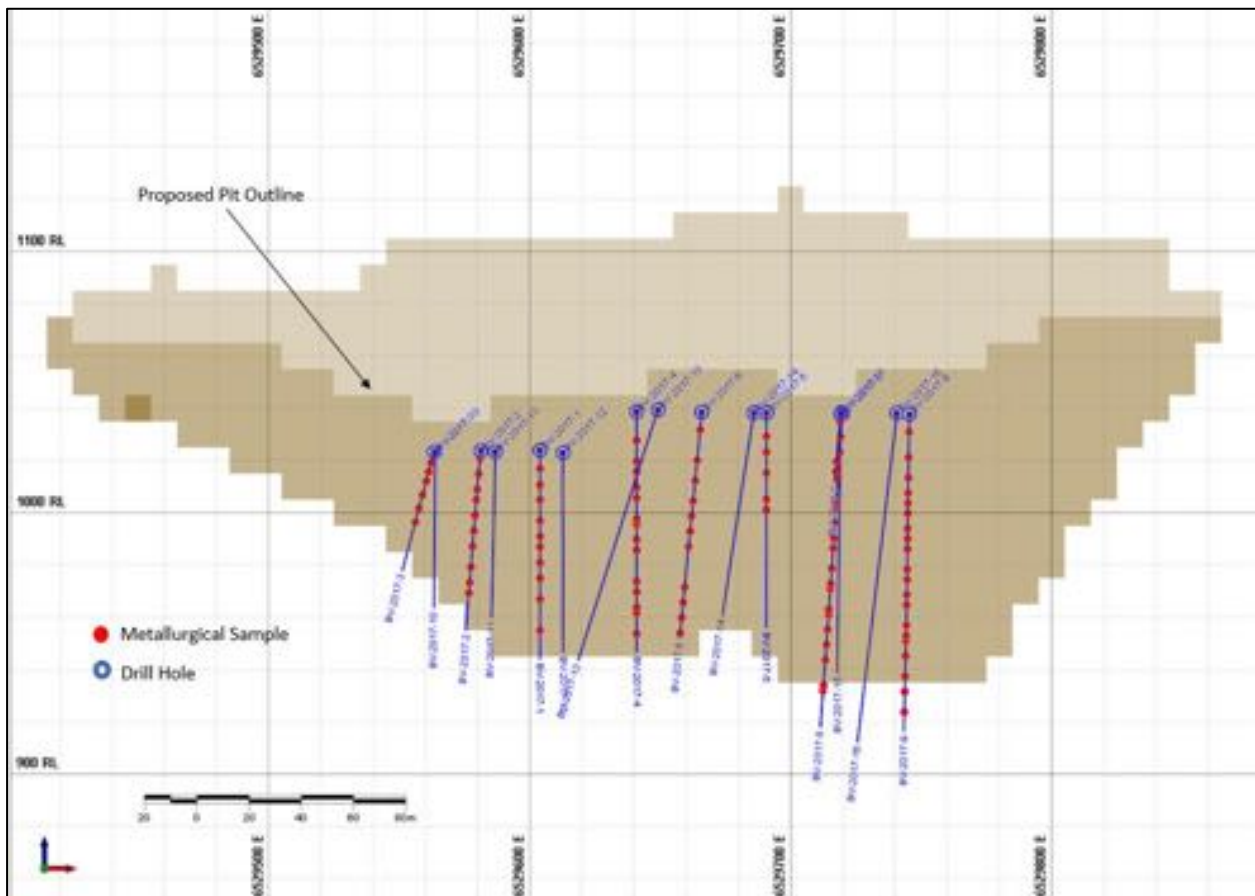


Figure 30: Metallurgical sampling at Veovača (looking north)

At Rupice, three bulk samples were collected for metallurgical testwork; an average grade sample, a high-grade sample, and a high-grade copper sample. The detail is shown in Table 18 and locations are shown in Figure 31. The samples were from across the entirety of the deposit to ensure a bulk sample grade which corresponded to the average grade of the mineralisation block model which was current at that time. The estimated grades of the bulk samples are reported in Table 19, Table 20 and Table 21 alongside the head grade from the WAI work.

Table 18: Rupice bulk sample collection

Bulk sample	Drillholes	No. of samples	Bulk sample weight
Average grade	BR-1-17, 4-17, 6-17, 7-17, 8-17, 2-18, 3-18, 5-18, 7-18, 10-18, 13-18, 17-18, 22-18, 23-18, 24-18	107	135 kg
High grade	BR-1-17, 4-17, 7-17, 2-18, 3-18, 5-18, 7-18, 8-18, 13-18, 17-18, 22-18, 24-18	69	90 kg
High-grade copper	BR-1-17, 5-18, 22-18	24	32 kg

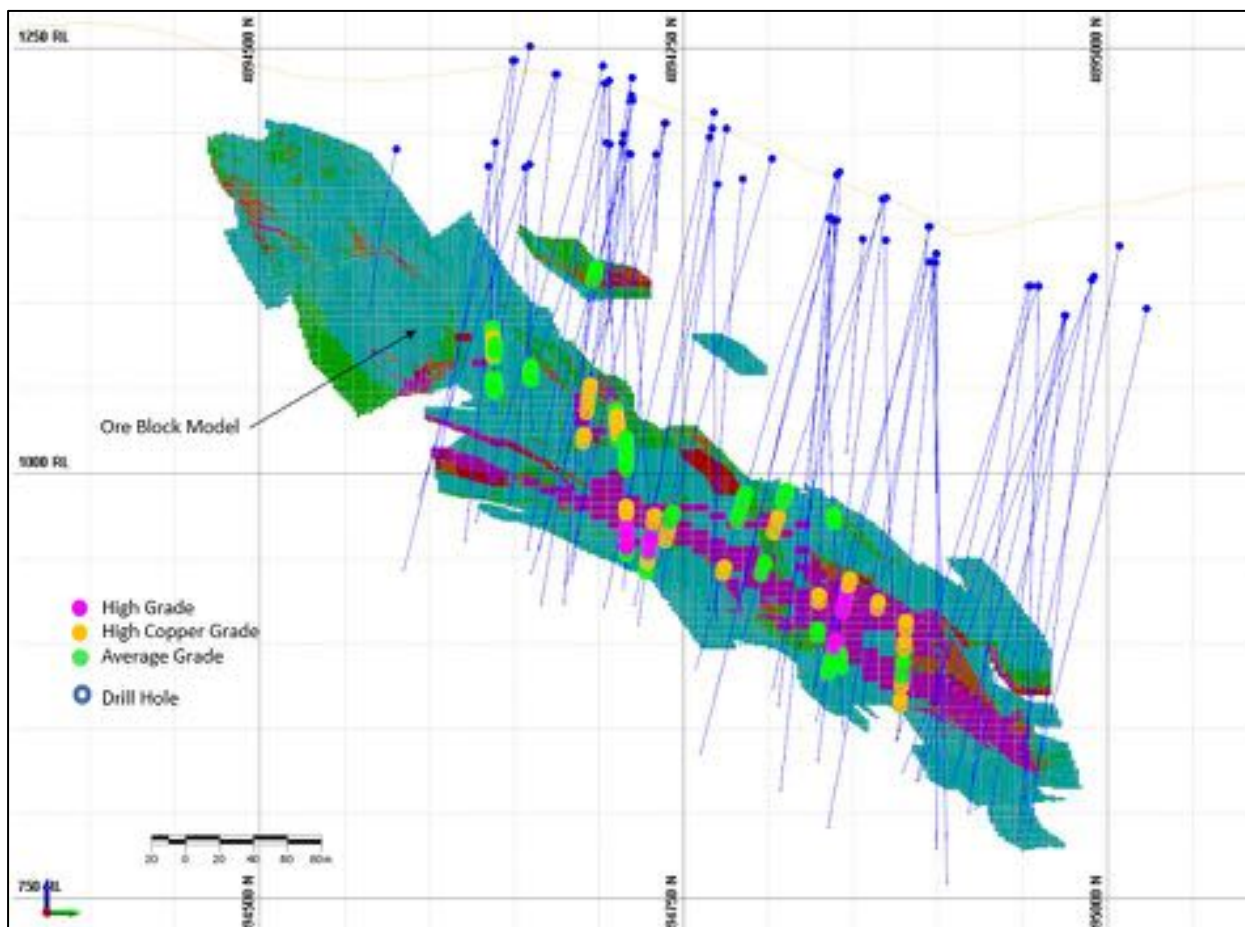


Figure 31: Metallurgical sampling at Rupice (looking west)

Table 19: Rupice bulk sample – average grade

Bulk sample	Zn (%)	Pb (%)	Cu (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
Composite average	4.8	2.9	0.5	40	1.8	238
WAI	5.0	3.2			1.8	268
2018 MRE	3.9	2.6	0.4	28	1.2	282

Table 20: Rupice bulk sample – high grade

Bulk sample	Zn (%)	Pb (%)	Cu (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
Composite average	10.1	5.3	0.7	59	3.1	340
WAI	9.8	5.7	0.6		3.2	348

Table 21: Rupice bulk sample – high-grade copper

Bulk sample	Zn (%)	Pb (%)	Cu (%)	BaSO <sub>4</sub> (%)	Au (g/t)	Ag (g/t)
Composite average	20.0	13.3	3.7	24	3.6	256
WAI	19.9	14.7	3.8		3.5	269

### 2.9.2 WAI Testwork

WAI conducted a number of flotation tests on both the Veovača bulk sample and the Rupice average grade bulk sample. Preliminary testwork commenced at a grind size of 80% passing 60 micron to produce a copper, lead and zinc rougher concentrate (tests Flotation Test (FT) FT1 and FT2) before reducing the grind size first to 45 micron (FT3 and FT4), and then to 40 micron (FT5 and FT6). Thereafter at the 40 micron grind size, various testwork (FT7 to FT15) tested combinations were completed including

increased/decreased lime, sodium hydrosulphide, collector, copper collector, pH conditions and airflow against metal recoveries in the various concentrates.

Flotation cleaner (FTC) work was undertaken on the various FT products including, inter alia, cleaner flotation on the re-grind of the copper/lead concentrate to first 20 micron and then 10 micron (FTC1 and FTC2), cleaner flotation to produce variously a copper/lead, pyrite and barite concentrate whilst varying additives such as potassium dichromate, collectors, sodium silicate and sulphurous acid and starch (FTC4 to FTC9 and FTC12 to FTC14). FTC10 was a specific barite cleaner test with reduced collector/dosage residence times and increased number of cleaning stages, with FTC11 and optimisation of FTC10, and FTC12 a repeat of FTC10 using sodium silicate.

Four locked cycle tests were undertaken on the Average Grade sample. The first (LCT1) was a Cu/Pb flotation only test focused on proving that a saleable-grade concentrate could be achieved with acceptable selectivity against zinc. The second (LCT2) was a full flowsheet test including copper/lead flotation, zinc flotation, pyrite flotation and barite flotation. Analysis of the LCT2 products indicated that the test had not reached a steady state, likely because of the large recirculating load, predominantly within the barite circuit. Based on the results of the first two locked cycle tests, a third test was undertaken (Test LCT3) with a modified barite circuit in order to allow more mass to exit the circuit and prevent the build-up of material in the recirculating load. The Cu/Pb conditions were changed to reflect those of Test LCT1 to yield increased copper recoveries. A pyrite cleaning stage was added to allow for the rejection of contained barite to the head of the barite circuit.

A fourth locked cycle test (Test LCT4) was undertaken using the same flowsheet as Test LCT3 (Figure 32), but with extended residence times in the zinc rougher and increased residence times and collector dosages in the barite roughing and cleaning circuits.

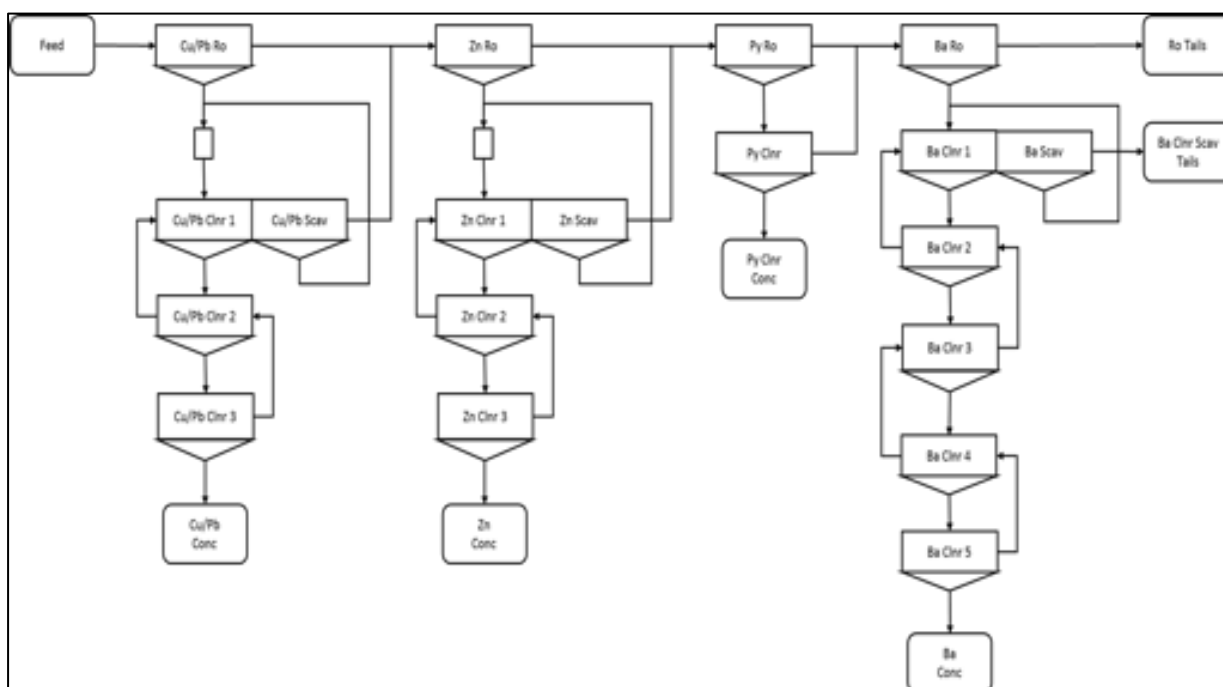


Figure 32: Locked cycle flowsheet (LCT3 & LCT4)

These are all part of the testwork phase designed to show potential for recovery of the economic minerals to the different products. Each test is focused on demonstrating the possible recovery of one or more concentrates and whilst doing so other minerals will also report to that concentrate which are not reflected in the above table in order to simplify it. In addition, there are recoverable metals in the pyrite concentrate and the final tailings, which will all be subject to further testwork and flowsheet development as the Project advances towards full Feasibility Study.

Table 22: Average Grade Locked Cycle Test LCT4 Summary (Part One)

Product	Weight (%)	Assay (%)					Recovery (%)				
		Cu	Pb	Zn	Fe	S <sub>ROT</sub>	Cu	Pb	Zn	Fe	S <sub>ROT</sub>
Cu/Pb Conc	7.0	6.52	44.2	10.7	4.06	22.1	90.4	14.5	10.0	11.0	
Zn Conc	7.9	0.37	1.25	53.8	0.95	33.2	2.9	81.7	2.6	18.5	
Py Conc	2.3	1.41	2.29	3.28	10.2	21.6	1.5	1.4	8.2	3.5	
Ba Conc	42.7	0.029	0.17	0.11	0.67	13.9	2.2	0.9	10.0	42.0	
Tails	40.1	0.056	0.26	0.19	4.92	8.75	3.0	1.5	69.2	24.9	
Feed	100.0	0.55	3.43	5.19	2.85	14.1	100.0	100.0	100.0	100.0	

Table 23: Average Grade Locked Cycle Test LCT4 Summary (Part Two)

Product	Weight (%)	Assay (%)					Recovery (%)				
		Au (ppm)	Ag (ppm)	As	Sb	BaSO <sub>4</sub>	Au	Ag	As	Sb	BaSO <sub>4</sub>
Cu/Pb Conc	7.0	13.9	3,549	0.79	3.78	4.01	47.3	83.7	62.1	90.6	0.6
Zn Conc	7.9	5.37	337	0.034	0.15	6.03	20.4	8.9	3.0	3.9	1.0
Py Conc	2.3	6.58	316	0.25	0.29	37.0	7.2	2.4	6.3	2.2	1.9
Ba Conc	42.7	0.38	9.50	0.010	0.007	84.8	7.9	1.4	4.8	1.0	79.8
Tails	40.1	0.89	26.8	0.053	0.016	19.0	17.2	3.6	23.9	2.2	16.7
Feed	100.0	2.07	298	0.089	0.29	45.4	100.0	100.0	100.0	100.0	100.0

The results (Table 22 & Table 23) of the Locked Cycle Test LCT4, informed conceptual metal recoveries of 85–93% for copper, 90–94% for lead, 85–90% for zinc, 80–86% for barite, 90% for silver and 80% for gold, considered appropriate for use in the MRE considerations regarding reasonable chances of eventual economic extraction.

#### *Further Comments on Flotation Testwork*

The copper-lead metallurgy is based upon production of a bulk copper-lead concentrate containing significant metal credits. Further testwork is required to establish whether or not an economic split of the bulk concentrate can be achieved to generate separate copper and lead concentrates for marketing. Further testwork is also justified to examine the potential for a three-stage sequential float for copper, lead, and zinc to allow separate concentrates for marketing.

The pyrite concentrate removed ahead of the barite float is presently designed to pass to final tailing. Testwork is required to establish whether or not the precious metal values may be leached from the concentrate or the concentrate can be marketed directly as a smelter flux.

#### *Crushing-Grinding*

Three comminution circuit options were considered:

- Option 1: 1-stage crush-SAG-ball milling; or
- Option 2: 3-stage crush-rod-ball milling; or
- Option 3: 3-stage crushing-single stage ball milling.

The possible use of a SAG-Ball milling circuit was considered, and rejected, on the basis of tonnage throughput and mill sizings. Additional cost for the SAG mill would far outweigh the cost of a small crushing plant to prepare conventional mill feed. Additionally, the skills level of mechanical support within the mining area is probably more familiar with conventional mills (previously installed).

Option 3 was chosen as being a simpler crushing plant to produce 25mm rod mill feed compared to 10mm feed required for ball milling.

The major disadvantage of the rod-ball design is that two mills are required, whereas for ball milling potentially one large mill could be used.

#### *Concentrate Treatment Options*

As shown above the Cu-Pb, and Zn concentrates contain levels of arsenic and mercury which may attract smelter penalties and should be considered in marketing studies.

Further consideration may need to be given to exploring technologies for the removal of potentially deleterious elements such as:

- Toowong Process™;
- Sunshine Process; and
- Equity Process

#### *Grinding Power and Performance Predictions*

Comminution testwork carried out on samples representing the two deposits suggest that the overall grinding energy requirements will be low to moderate. The Bond ball mill work index ranged from 8.54 kWh/t (Rupice) to 12.31 kWh/t (Veovača), at closed screen size of 100µm.

Flotation optimization testwork has also shown that a fine primary grind size target P80 of 40 µm is required ensure sufficient liberation to allow saleable copper-lead and zinc cleaner concentrates to be produced.

Ultra-fine grinding of the Cu rougher/scavenger concentrate down to 10 µm to 15 µm is required in order to produce a saleable copper concentrate.

### 2.9.3 Metallurgical Performance

#### Veovača – Low Grade Ore

The metallurgical performance obtained in LCT 2 (Table 24) should be used to develop an economic assessment or a metals equivalent value for the Veovača deposit.

Table 24: LCT2 Results for Veovača

Product	Weight (%)	Assay (%), or (ppm)					Distribution (%)				
		Pb	Zn	Au	Ag	BaSO <sub>4</sub>	Pb	Zn	Au	Ag	BaSO <sub>4</sub>
Pb Cl 2 Conc	1.64	<b>51.23</b>	11.71	1.27	1,766.0	0.00	<b>77.14</b>	14.02	20.86	49.18	0.00
Zn Cl 2 Conc	1.81	2.40	<b>57.84</b>	0.50	442.0	0.00	4.01	<b>76.20</b>	9.04	13.54	0.00
Ba Cl 2 Conc.	5.93	0.09	0.06	0.00	0.00	<b>86.86</b>	1.06	0.56	0.00	0.00	<b>70.0</b>
<b>Feed</b>	<b>100.0</b>	<b>1.02</b>	<b>1.29</b>	<b>0.10</b>	<b>59.0</b>	<b>16.10</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The metallurgical performance obtained in LCT 2 (Table 25) should be used to develop an economic assessment or a metals equivalent value for the Rupice deposit.

Table 25: LCT2 Results for Rupice

Product	Weight (%)	Assay (%)						Distribution (%)					
		Cu	Pb	Zn	Au (g/t)	Ag (g/t)	BaSO <sub>4</sub>	Cu	Pb	Zn	Au	Ag	BaSO <sub>4</sub>
Cu/Pb Conc.	6.5	<b>6.70</b>	<b>45.3</b>	10.1	15.0	3,443	3.65	<b>79.2</b>	<b>89.0</b>	12.4	46.2	78.9	0.5
Zn Conc.	7.6	0.36	1.31	<b>57.4</b>	5.50	352	3.47	5.0	3.0	<b>82.5</b>	19.8	9.4	0.6
Py Conc.	2.5	1.93	2.56	4.77	6.84	394	37.4	8.9	2.0	2.3	8.2	3.5	2.1
Ba Conc.	30.1	0.017	0.16	0.084	0.28	20.6	<b>97.2</b>	0.9	1.4	0.5	4.0	2.2	<b>64.8</b>
Final Tailings	53.3	0.062	0.29	0.23	0.87	31.8	27.2	6.1	4.6	2.3	21.9	6.0	32.0
<b>Feed</b>	<b>100.0</b>	<b>0.55</b>	<b>3.30</b>	<b>5.28</b>	<b>2.11</b>	<b>283</b>	<b>45.2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### Concentrate Marketability

As shown above the Cu-Pb, and Zn concentrates contain levels of arsenic and mercury which may attract smelter penalties and should be considered in marketing studies.

The lead and zinc concentrates contain significant silver credits and gold credits.

Further testing is required to reduce the base metals levels in the barite concentrate.

#### Predictions of Reagent and Consumable Consumption

Given the fact that a differential float is required to produce separate copper-lead and zinc concentrate products the reagent suite is quite elaborate. The addition of depressants such as SO<sub>2</sub> and SMBS is deemed to be moderately high and is required to ensure that the zinc does not report to the respective copper-lead concentrate product.

### Rupice Metallurgical Prediction

Following the testwork carried out by Wardell Armstrong (WA) UK on the Rupice average grade composite Holland and Holland consultants analysed the results further to provide a range of grade-recovery values for the respective value products to be produced at the mine site. These values were used by the mining department to calculate the cut-off grade for the Rupice mine, and to establish a tonnage resource and mine design. The metallurgical results for the three value products were developed from release curves, in association with correlations for base metal and precious metal values, as detailed in the 06 Sept 2019 report of Holland and Holland. (A Prediction for the Rupice Resource Metallurgy based upon batch and lock-cycle testwork to date. Friday, 06 September 2019.)

The predicted metallurgical scenarios for the three value products are provided below (Figure 33), which illustrates the regression formulae used to determine the zinc, lead and precious metal recoveries for the Zinc and Lead concentrate streams

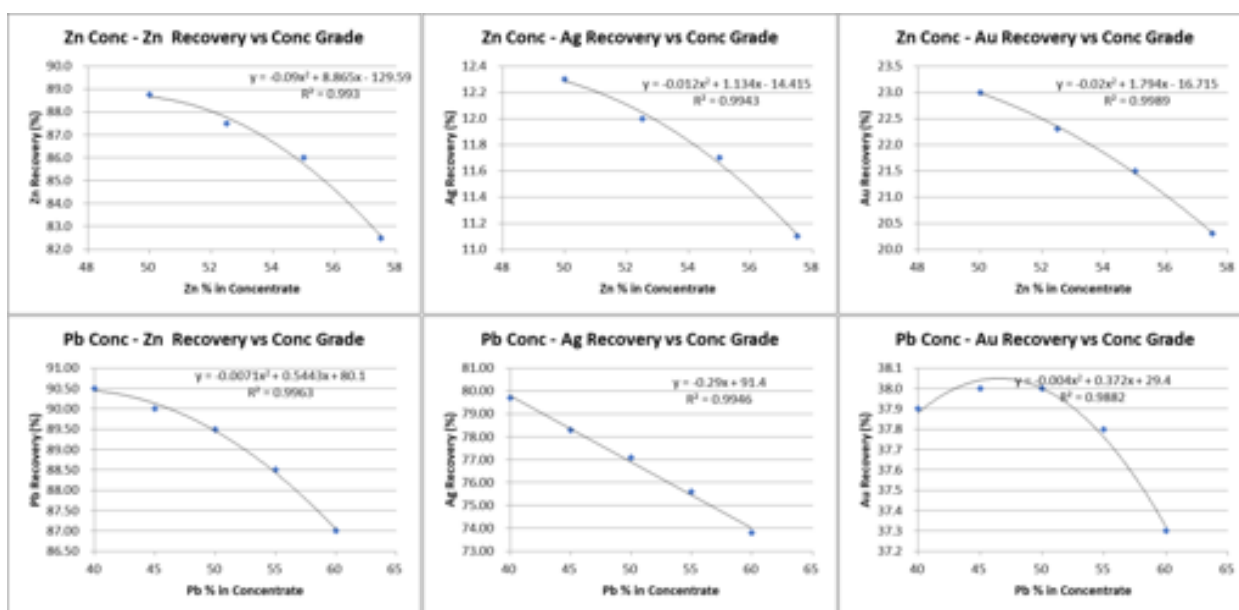


Figure 33: Rupice Regression Formulae for Zinc and Lead Concentrates

Improvements in overall barite recoveries of roughly 10 per cent may be achievable with additional barite optimisation testwork.

### Summary

CSA Global considers that the procedures, the process options and the wide range of reagent combinations employed were generally appropriate. Although sometimes erratic, the results demonstrate the amenability of the Rupice/ Veovača ore to fine grinding and differential flotation to produce separate marketable copper-lead and zinc concentrates at acceptable recoveries. There is the potential for smelter penalties given the levels of deleterious elements reporting to concentrates and this should be investigated further as additional testwork is performed and refinements made as part of the next stage of project development.

## 2.10 Barite

Rupice and Veovača are polymetallic deposits containing fine-grained concentrations of galena, sphalerite, gold, silver and barite within a breccia. The mineralised body displays little to no mineral zonation, and thus there is no capacity to selectively mine each mineral commodity. As such, barite will be mined and processed as a “by-product” from Eastern Mining’s proposed mining and beneficiation operations.

Barite is an industrial mineral and therefore Clause 49 of the JORC Code needs to be addressed. Clause 49 requires an understanding of the specification of the mineral and its key characteristics or qualities such as likely product specifications, proximity to markets and general product marketability.

Eastern Mining commissioned Peter W Harben Inc., a marketing consultant with over 40 years’ experience in industrial minerals including barite, to assess the market potential for barite from the Veovača deposit. A summary of this information is set out in the sub-sections below.

Eastern Mining also commissioned WAI (UK) to conduct testwork on material from the Rupice and Veovača deposits with a view to determine if the barite product which will be produced on site meets industry specifications. This work is ongoing but information available at the time of reporting is summarised in Section 2.10.7.

### 2.10.1 Barite Properties and Uses

Barite has a relatively high theoretical specific gravity of 4.6 g/cm<sup>3</sup>, Mohs’ hardness of 3–3½, is relatively inert, and virtually insoluble in water. It is the primary weighting agent used in drilling fluids or muds. The weighting material is designed to increase the hydrostatic pressure of the drilling mud and thus control high-pressure zones encountered during drilling. Its relative softness minimises damage to drilling tools.

In addition to its use in drilling muds, barite is used as a feedstock for barium chemicals, as a barium source in glass and ceramics, in pharmaceuticals, and as a functional filler.

The non-drilling market probably constitutes about 5% of commercial barite consumption.

### 2.10.2 Global Production of Barite

World production ranged from 9 Mt 2012 to 7 Mt in 2016 from 25 countries, with China at 2.8 million tonnes per annum (Mt/a) (39% of global output) as the major producer followed by India (1 Mt/a), Morocco (700,000 t/a), United States (300,000 t/a), Kazakhstan and Iran (330,000 t/a respectively), and Mexico and Turkey (250,000 t/a each). These countries account for a combined 80% of global production. Asia dominates regional production (largely China and India) with more than 60% followed by North Africa/Middle East (including Turkey) (19%) and Europe (10%).

### 2.10.3 International Trade

International trade in barite accounts for approximately half of the 7 Mt of barite produced globally (2016). Exports are dominated by:

- China at approximately 1.6 Mt/a
- India at approximately 1.0 Mt/a
- Morocco at approximately 0.55 Mt/a
- Turkey at approximately 0.17 Mt/a
- United States at approximately 0.15 Mt/a.

Imports are dominated by the Middle East which takes more than 40% of global barite imports followed by North America (30%), Western Europe (16%), and Asia, Eastern Europe, and South America with a

combined 12%. The world's largest importing countries accounting for 80% of trade are the United States, Saudi Arabia, Kuwait, Norway, Netherlands, Algeria, United Arab Emirates, Germany, and Italy.

#### 2.10.4 Prices

There is no terminal market to set the selling price of barite; it is based on negotiations between buyer and seller. The demand for barite and therefore its selling price is driven predominantly by the prevailing price of oil and gas. Recent price levels for ground material are approximately:

- Turkey, FOB (2016 trade data), US\$131/t
- N Europe, CIF, ground (MI-Swaco) US\$180–200/t
- USA FOB Gulf Coast, average (USGS 2016) US\$198/t.

#### 2.10.5 Specifications

Drilling mud-grade specifications are covered by the API through its API Specification 13A 18<sup>th</sup> Edition, August 2010 – Specification for Drilling Fluids – Specifications and Testing. API specifications for barite used in the oil industry primarily deal with specific gravity, particle size, and maximum quantities of some impurities:

- BaSO<sub>4</sub> 90% minimum
- Specific gravity 4.1 and 4.22 g/cm<sup>3</sup> minimum
- Moisture content 0.5% maximum
- Residue >75 microns 3% maximum
- Particles < 8-micron equivalent spherical diameter 30% maximum
- Water Soluble Alkaline Earth Metals (as Ca<sup>2+</sup>) 250 mg/kg maximum.

Some drillers use lower density barite around 3.9 g/cm<sup>3</sup>, which although not an API specification may be deemed “fit for purpose” in certain applications (Source: A. Scogings, May 2019).

#### 2.10.6 Historical Production of Barite from Veovača

Between 1983 and 1986, the Veovača operations produced over 70,000 tonnes of barite concentrate from the selective flotation of lead, zinc and barite.

In order to provide an initial assessment of the quality of the barite concentrate, 45 grab samples were collected from degraded stockpiles at the historical plant site and within the open pit. The samples returned an average grade of 93.4% BaSO<sub>4</sub> within a range between 90.8% and 95.7% BaSO<sub>4</sub>, suggesting that a relatively high-grade barite concentrate was produced, and high-grade barite mineralisation exists in the open pit.

Chemically, barite for production of drilling mud, requires a barium sulphate content above 90% since it influences the principal physical attribute of a relatively high specific gravity of 4.1 or 4.2 g/cm<sup>3</sup>.

#### 2.10.7 Recent Testwork

WAI has and continues to conduct a series of rougher, cleaner and locked cycle flotation tests to develop a flowsheet for the treatment of the Rupice, Veovača and a blend of Rupice and Veovača material. This work also has been conducted on both high-grade and average-grade material.

Samples for metallurgical testwork were collected in the following manner:

- Material was sourced from coarse rejects from recent drill samples.
- Veovača – The sample was sourced from all nine holes that were drilled in 2017. A total of 97 samples in total were collected across the deposit with a calculated grade approximately equivalent to the mean grade from the block model. In total, 100 kg was collected.

- Rupice – A sample was collected from average grade material. A total of 114 samples from 15 holes drilled in 2017 and 2018 was selected with a calculated grade approximately equivalent to the mean grade from the block model. In total, 135 kg was collected.
- Rupice – A sample was collected from high grade material. A total of 69 samples from 12 holes drilled in 2017 and 2018 was selected with a calculated grade approximately equivalent to three times the mean grade from the block model. In total, 90 kg was collected.
- Rupice – A sample was collected from high grade copper material. A total of 24 samples from three holes drilled in 2017 and 2018 was selected with a calculated grade of approximately 5% copper. In total, 33 kg was collected.

A report summarising the results of the work was not available at the time of report compilation, as the testwork remains ongoing. However, preliminary results were provided to CSA Global which demonstrated that both Rupice and Veovača material (tests FTC7, FC12 and locked cycle test LCT2) produced barite concentrates which met the API specifications. Preliminary results are shown in Table 26:

Table 26: API specification and Eastern Mining barite concentrate

Description	API Specification	Eastern Mining Barite
Barite grade	90% minimum	>93% BaSO <sub>4</sub>
Specific gravity	4.1 g/cm <sup>3</sup> and 4.22 g/cm <sup>3</sup>	>4.4 g/cm <sup>3</sup>
Moisture content	0.5% maximum	Not undertaken but a simple function of drying the product
Residue sizing	>75 microns 3% maximum	>75 micron less than 3%
Residue sizing	<8 microns 30% maximum	<6 micron less than 30%
Water soluble alkaline earth metals	250 mg/kg maximum (Ca <sup>2+</sup> )	To be undertaken but noted that the levels of these metals in the concentrate are low

#### 2.10.8 Barite Marketability

Based on limited grab sampling and preliminary metallurgical testwork results, there appears to be reasonable potential to produce a product that meets the required specifications of the global barite market. However, additional metallurgical testwork is required to better understand likely recoveries and product specifications.

Based on an external assessment of the barite market there would appear to be an opportunity to enter the market as a niche player leveraging any logistical advantages for a supplier in Bosnia. The most attractive markets would be:

- Middle East and North Africa which takes more than 40% of global barite imports (c. 1.5 Mt/a) through the Adriatic Sea to the Mediterranean
- Northern Europe
- The United States.

The Competent Persons consider that Eastern Mining has an adequate understanding of the global and proximal barite market, and sufficient understanding of the general product marketability of barite. Furthermore, the Competent Persons are satisfied that preliminary testwork, yet to be optimised, has demonstrated that there is potential to produce a barite product that meets market specification requirements of purity, specific gravity, and fineness of particle size.

There is therefore considered to be reasonable prospects for Eastern Mining to enter the barite market which fulfils the requirements of Clause 49 of the JORC Code.

## 2.11 Scoping Level Mining Study

### 2.11.1 Input Mineral Inventory

Table 27 summarises the Statement, prepared in accordance with the JORC Code (2012 Edition) for the Rupice, Veovača and Combined Mineral Inventories based on the work detailed above.

Table 27: JORC Combined Mineral Inventory as at 31<sup>st</sup> October 2019

Category	Unit	Indicated	Inferred	Total	Category	Unit	Indicated	Inferred	Total	Category	Unit	Indicated	Inferred	Total
<b>Veovača</b>					<b>Rupice</b>					<b>Combined</b>				
Tonnes	Mt	3.6	1.2	<b>4.8</b>	Tonnes	Mt	6.3	0.9	<b>7.2</b>	Tonnes	Mt	9.8	2.1	<b>11.9</b>
<b>Mineral Grade Inventory</b>					<b>Mineral Grade Inventory</b>					<b>Mineral Grade Inventory</b>				
Zn <sub>reqv</sub>	%			<b>0.00%</b>	Zn <sub>reqv</sub>	%				Zn <sub>reqv</sub>	%			
Zn	%	1.61%	1.15%	<b>1.50%</b>	Zn	%	6.27%	3.52%	<b>5.92%</b>	Zn	%	4.57%	2.19%	<b>4.16%</b>
Pb	%	1.05%	0.52%	<b>0.92%</b>	Pb	%	4.01%	2.25%	<b>3.79%</b>	Pb	%	2.93%	1.28%	<b>2.64%</b>
Cu	%	0.07%	0.06%	<b>0.07%</b>	Cu	%	0.65%	0.42%	<b>0.62%</b>	Cu	%	0.44%	0.22%	<b>0.40%</b>
BaSO <sub>4</sub>	%	16.50%	6.20%	<b>14.00%</b>	BaSO <sub>4</sub>	%	36.50%	27.10%	<b>35.30%</b>	BaSO <sub>4</sub>	%	29.20%	15.30%	<b>26.80%</b>
Au	g/t	0.1	0.1	<b>0.1</b>	Au	g/t	2.1	1.3	<b>2</b>	Au	g/t	1.4	0.6	<b>1.2</b>
Ag	g/t	54.1	19.1	<b>45.5</b>	Ag	g/t	221.1	125.6	<b>209.1</b>	Ag	g/t	160.1	65.6	<b>143.8</b>
Sb	%	0.10%	0.08%	<b>0.10%</b>	Sb	%	0.23%	0.19%	<b>0.23%</b>	Sb	%	0.19%	0.13%	<b>0.18%</b>
As	%	0.03%	0.03%	<b>0.03%</b>	As	%	<b>0.08%</b>	<b>0.05%</b>	<b>0.08%</b>	As	%	0.06%	0.04%	<b>0.06%</b>
Hg	%	0.02%	0.01%	<b>0.02%</b>	Hg	%	0.01%	0.01%	<b>0.01%</b>	Hg	%	0.01%	0.01%	<b>0.01%</b>

### 2.11.2 Rupice

A conceptual mine plan for the Rupice Deposit was developed, as shown in Figure 34 using Datamine™ Mineable Shape Optimiser (MSO) software to generate stope geometries within the current block model "Model\_Ore\_Waste\_2018.dm".

The planned primary and secondary access infrastructure results in an underground mine design containing approximately 7.2 Mt of ore bearing material at 5.9% Zn, 3.8% Pb, 0.6% Cu, 35.3% BaSO<sub>4</sub>, 2.0g/t Au, 209.1g/t Ag, 0.23% Sb, 0.08% As and 0.01% Hg average grades (an overall dilution of 26.1% results from the MSO process that generated the stopes). Examination of the MSO outputs presented two key areas requiring both short hole and long-hole extraction methods with cement paste-fill to be used to stabilise stope voids. The upper portion of the deposit from 1,185RL to 1,095RL is characterised by a thinner economic stoping width (less than 15m) and narrows in strike length as the orebody approaches the outcrop position. Below 1,095RL the orebody widens rapidly to some 35m on average amenable to long-hole higher productivity mining methods. The long-hole extraction consists of three main long-hole sections namely; two 4 sub-level sections (20m inter-level spacing) in the high-grade areas of the orebody and a single medium grade long-hole section consisting of 5 sub-levels.

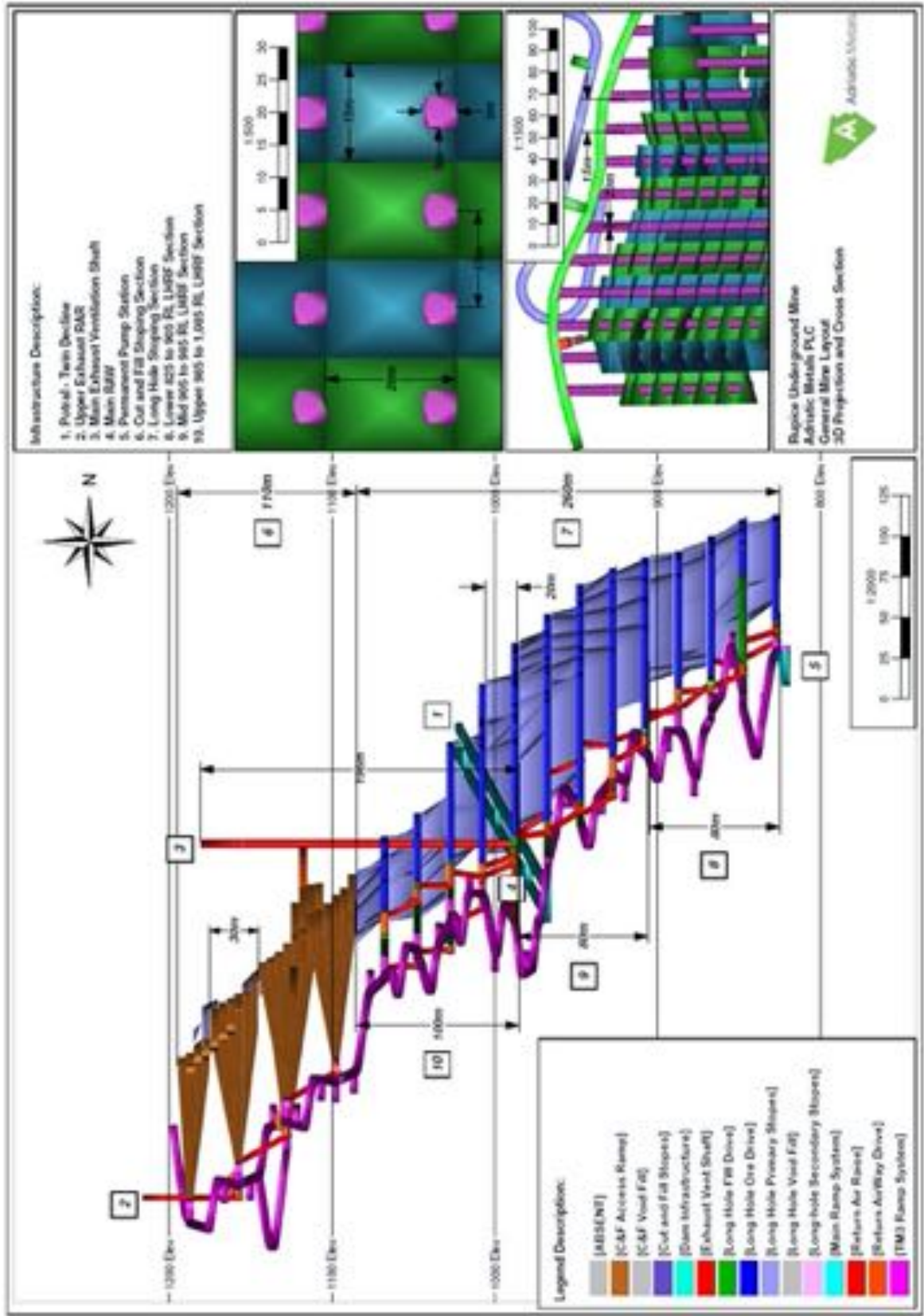


Figure 34: Cross-Section of the Proposed Rupice U/G Operation (CSA Global, 2019)

Considering required access to initial higher-grade stoping areas, the primary access to the orebody is via a two parallel declines, with dimensions of 5m high x 5m wide, developed from a terraced portal area located to the north east of the main body of the deposit. A single end trackless drive (5m x 5m) is developed from 965 RL down to 905RL and sub-level drifts and return ventilation infrastructure is established to enable stoping activities to commence on 905RL. The 905 - 965RL long-hole section is replaced by the 825 – 885RL section. Extraction from the cut and fill mining section, with lower expected productivities, will be permitted to commence prior to extraction of the final long-hole section (985 – 1065RL) in order to ensure high overall productivities.

The proposed underground mining operation at Rupice is considered to be of medium risk from a technical mining operations standpoint for the following reasons:

1. An average underground mining rate of approximately 800 ktpa will be required to sustain a 2,250 tpd plant feed is considered as a medium scale underground trackless mining operation.
2. Mining equipment suitable for this type of mining method utilising a standard underground mining fleet; it is considered non-specialised and common with reasonable procurement and mobilisation time-frames.
3. Considering the size of the equipment proposed for the mining operation, mobilisation and demobilisation of mining equipment should not present significant challenges for the transport of these mining machines.
4. Site conditions are expected to be moderate to high difficulty in terms of climatic, topographical and access conditions.
5. Underground geotechnical ground conditions are expected to have poor to moderate rock mass strengths, indicating challenging development and stoping support conditions. Detailed stope sizing studies would be required to assess the impact of the following parameters on the layout of stopes:
  - Spatial variability of rock mass quality;
  - Incorporating differences in lithological wall rocks on the basis of stope location;
  - Accounting for the frequency, persistence and condition of major geological structures on stopes;
  - The ambient stress magnitudes and orientations;
  - Changes to the geometry of the orebody;
  - Impact of the type of fill selected on sequencing and stope sizes;
  - Stand up time analysis, and
  - Detailed ground stabilisation measures.
6. The Rupice site is a green-field site requiring a new access road to be constructed to the public sealed road at Borovica Gornja.
7. Water management will require careful planning as the mine infrastructure is sited within a series of valleys with potential exposure to a large water-shed area.
8. There are small villages located within or in close proximity to the Rupice and Veovača Deposits site.

### 2.11.3 Veovača

The pit optimisation and subsequent pit design for Veovača, as shown in Figure 35 results in an open pit mine design containing approximately 4.75 Mt of ore bearing material at 1.5% Zn, 0.92% Pb, 0.7% Cu, 14% BaSO<sub>4</sub>, 0.08g/t Au, 45.5g/t Ag, 0.01% Sb, 0.03% As and 0.02% Hg average grades utilising a 5% dilution and a 95% mining recovery. The pit design contains some 11.6Mt waste and sub-economic ore resulting in a 2.4:1 mass stripping ratio.

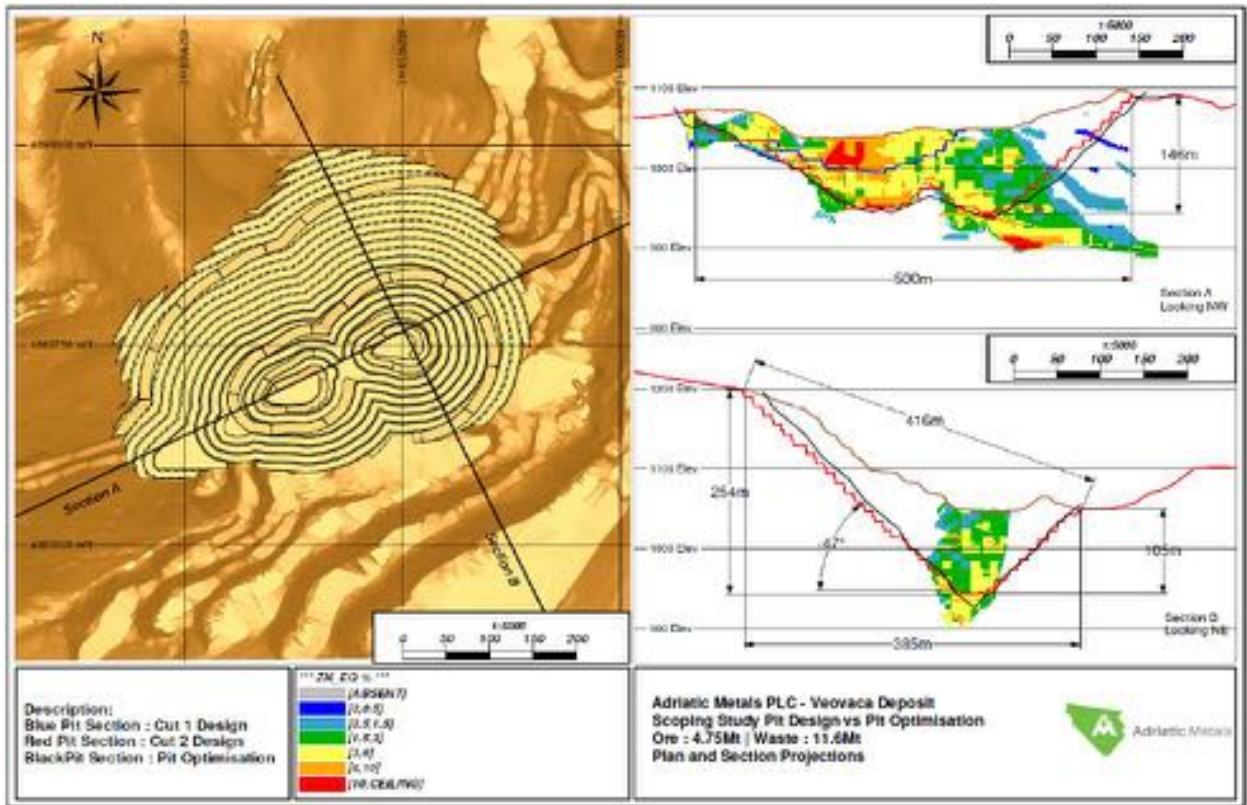


Figure 35: Veovača Open Pit Plan and Sectional View (CSA Global, 2019)

## 2.12 Conceptual Project Economics – Input Assumptions

### 2.12.1 Production Schedule

The conceptual base-case production schedule assumes an 800 ktpa plant throughput rate, proposing to commence with the Rupice deposit (2021 – 2032) continuing with the Veovča open pit operation from 2032 to the end of the Life of Mine (Figure 36), with a view to extracting the highest grade at the Rupice deposit in the early stage of the Rupice underground operation (Figure 37).

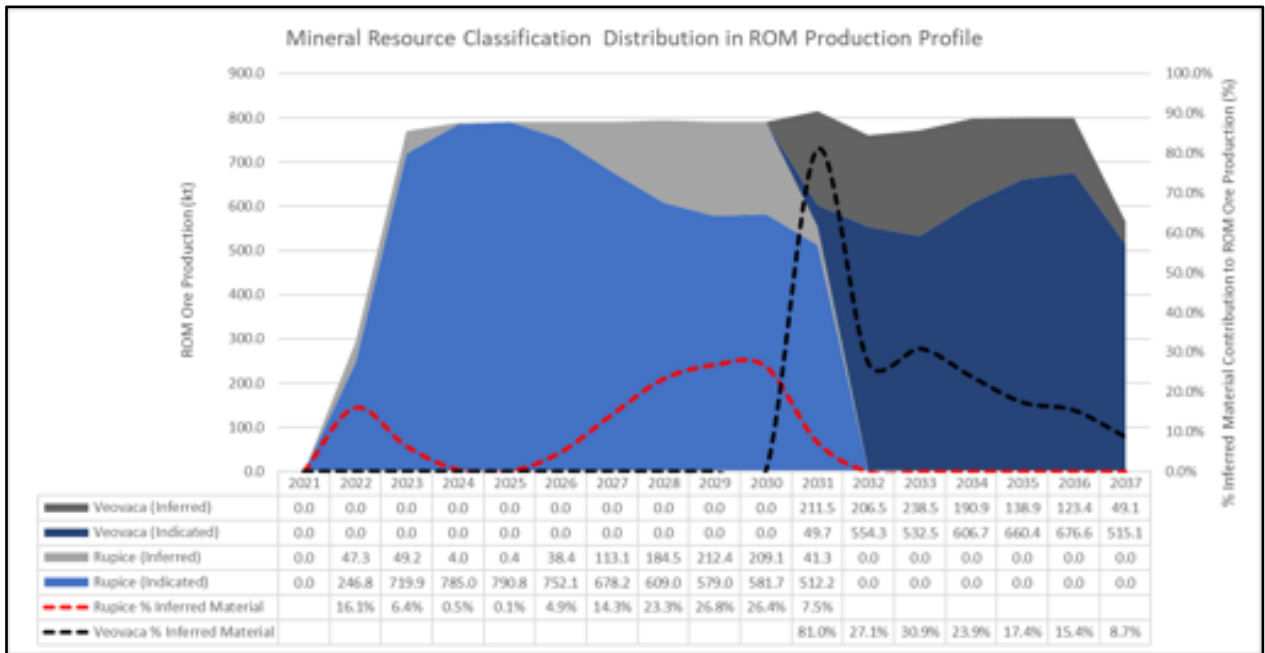


Figure 36: Overview of the Mine Schedule

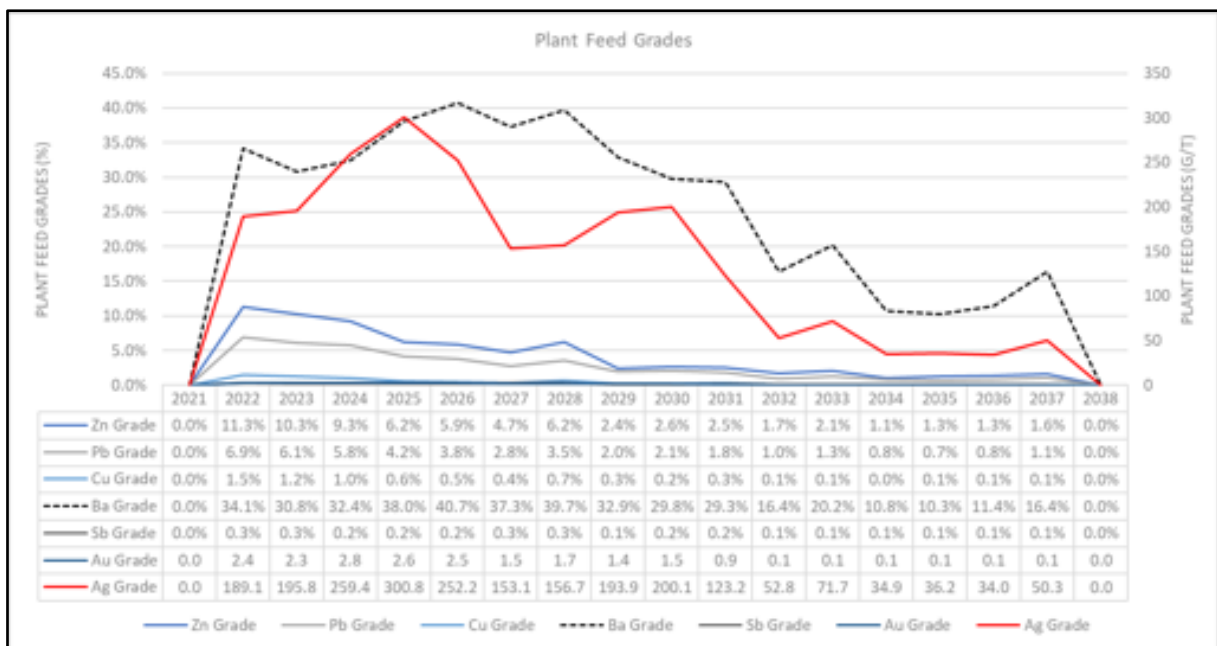


Figure 37: Projected Average Annual Feed Grades

## 2.12.2 Commodity Prices

The commodity prices employed in the economic model are tabulated in the table below;

Table 28: A Comparison of US\$ Current Spot, 3 Year Trailing Average & Prices Employed in Model

Commodity	Unit	Spot (30/10/2019)	3 Year Trailing Average (A)	Model Price (B)	%Diff A - B
Zinc	US\$ per tonne	2585	2778	2500	-10%
Lead	US\$ per tonne	2265	2200	2000	-9%
Copper	US\$ per tonne	5906	6400	6500	2%
Antimony	US\$ per tonne		7,710	6500	-16%
Silver	US\$ per oz	17.85	16.02	17.20	7%
Gold	US\$ per oz	1489.9	1250	1440.0	15%
Barite <sup>1</sup>	US\$ per tonne	-	-	155	-

### Notes

1. Barite is not a traded commodity but the value used is based on current European pricing with deductions for shipping, handling and insurance.

Whilst acknowledging historical trailing-average pricing, cognisance of consensus future pricing is considered to reflect anticipated lower base metal pricing with reduced economic growth rates (particularly in China) and envisaged increased geopolitical uncertainty influences on precious metal prices.

It should be noted that Project commodity price sensitivities are most pronounced for zinc and silver, followed by lead, gold, barite, copper and antimony, as illustrated in Figure 38.

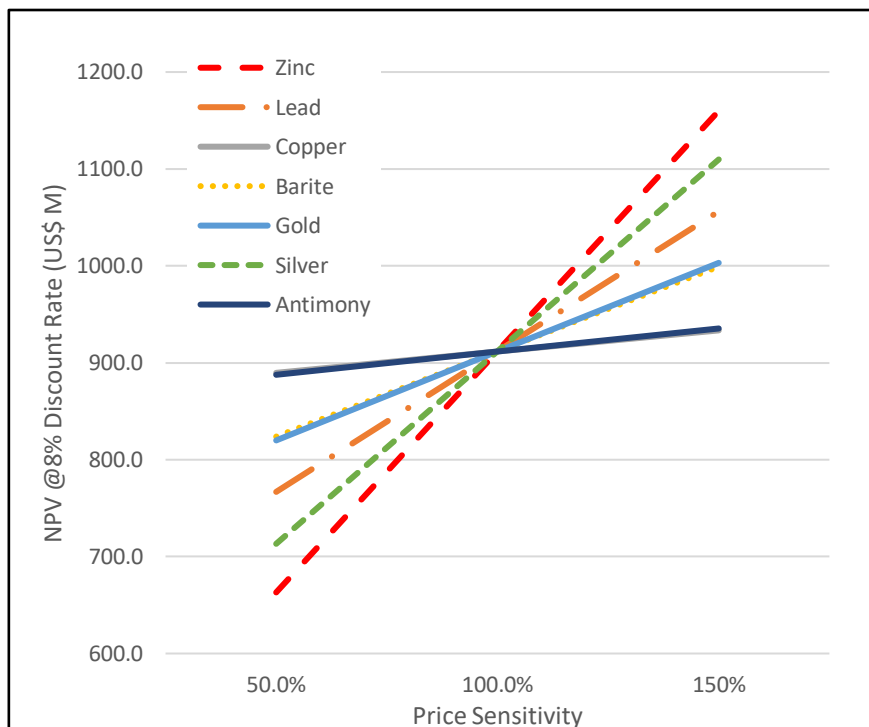


Figure 38: Project Commodity Price Sensitivity

### 2.12.3 Capital & Operating Costs

Both capital and operating costs assume a base case contract mining scenario.

The operating and capital cost estimate for mining operations and associated infrastructure have been derived by CSA Global considering in-house cost databases and comparison with other similar operations. The process plant operating and capital cost estimates have been completed by Holland & Holland Consultants and reviewed by CSA Global for reasonableness. Local costs have been provided and assured by Adriatic Metals and have been employed where appropriate. A contingency of 30% has been considered for all items.

Where appropriate, a Rate of Exchange of 1.75 BAM to 1 USD has been used for currency conversion.

Corporate tax rates in Bosnia & Herzegovina are 10%. A five-year straight-Line Depreciation method of redeeming capital expenditure has been used to amortise the capital cashflows.

Provision for potential roasting or further processing requirements to possibly reduce penalty elements within the concentrates has not been considered at this stage in the Concentrator capital estimates or provision for further blending needs within the operating costs. These aspects will need to be investigated as part of a further study.

Estimates are considered to have an order of accuracy of +-40% and hence are appropriate for a Scoping Study. A summary of the operating and capital costs is presented in Table 29.

Table 29: Summary of LOM Operating and Capital Costs

Category	Units	Combined Projects
<b>Operating Costs</b>		
Veovača OP Mining <sup>Note 1</sup>	US\$/tonne <sub>milled</sub>	15.60
Rupice UG Mining <sup>Note 1</sup>	US\$/tonne <sub>milled</sub>	40.46
Concentrator Plant	US\$/tonne <sub>milled</sub>	18.29
On-mine	US\$/tonne <sub>milled</sub>	2.10
Off-mine	US\$/tonne <sub>milled</sub>	2.82
Sustaining CAPEX	US\$/tonne <sub>milled</sub>	1.43
Environmental Provision	US\$/tonne <sub>milled</sub>	1.50
<b>Total</b>	<b>US\$/tonne<sub>milled</sub></b>	<b>56.67</b>
<b>Capital Costs</b>		
Veovača Open Pit Mining	US\$m	7.6
Rupice Underground Mining	US\$m	17.4
On & Off-mine Infrastructure	US\$m	34.9
Processing Plant	US\$m	58.2
Surface Infrastructure	US\$m	0.0
EPCM Fees	US\$m	16.2
HO Fees	US\$m	3.0
Study Costs	US\$m	0.0
Rehabilitation and Closure	US\$m	0.0
Contingency	US\$m	41.2
<b>Total</b>	<b>US\$m</b>	<b>178.4</b>

**Notes:**

1. Total operating costs for LOM are reported from a weighted average calculation of the open pit mining at Veovača and underground mining at Rupice deposits.

#### 2.12.4 Economic Conclusions

On the basis of these parameters, the conceptual Net Present Value (NPV) of the Vareš polymetallic project is considered to be US\$ 917 million at a base-case discount rate of 8%, with an Internal Rate of Return of 107 % calculated on a Post-Tax basis with 100% attributable equity.

A summary of economic results employing various discount factors is presented in Table 30.

Table 30: Summary of Economic Results

Post Tax Results	Units	Vareš Combined Project
NPV @ 0%	US\$M	1,534.8
NPV @ 5%	US\$M	1,102.1
NPV @ 10%	US\$M	814.8
NPV @ 15%	US\$M	616.5
NPV @ 20%	US\$M	475.1
<b>NPV @ 8%</b>	<b>US\$M</b>	<b>916.6</b>
IRR	%	107.4%
Payback (Project Start)	Years	<b>2</b>
Payback (Processing Start)	Years	<b>1</b>
ROCE	EBIT/CE	<b>10.6</b>
Economic Tail Cut	Year	<b>2037</b>

Note:

- *The Scoping Study referred to in this report is based on low-level technical and economic assessments and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Scoping Study will be realised.*
- *The economic result is based on approximately 82.5% of the overall feed Mineral Resource being classified as Indicated Mineral Resources and 17.5% being classified as Inferred Resources and the sequencing of these materials is shown in Figure 36.*
- *The Net Present Value considers the time from the commencement of project construction projected in this analysis to be 2021.*
- *Further study costs and other charges required by Adriatic prior to project execution are not included.*
- *Selection of an 8% discount rate considers a current general norm. No appropriate assessment of the weighted average cost of capital for the Project and Sponsor has been undertaken.*

## 2.13 Environmental Studies, Permitting and Social or Community Impact

### 2.13.1 Environmental Studies

An Environmental and Social (E&S) Scoping Study to meet international requirements has recently been commissioned which will, inter alia, involve a gap analysis of the existing data against typical international requirements and which will include the development of detailed scopes of work for baseline environmental and social studies. The E&S Scoping Study will take place in Q4 2019, with a view to starting some long lead time baseline studies (for which 12 months of monitoring data is required) as soon as possible. It is envisaged that the baseline data collection phase will take place during 2020, with initial impact assessments taking place from Q3 2020 onwards, depending on the level of engineering detail available from concurrent Pre-Feasibility and or Feasibility Studies. As far as possible, identified impacts will be avoided through project layout and design; those that cannot be avoided will be reduced and mitigated. The residual impacts will be addressed in a suite of Management Plans for use during the construction and operation of the site.

### 2.13.2 Permitting

Between May and September 2019, Eastern Mining d.o.o. Sarajevo (Eastern Mining) has initiated activities to complete the necessary investment, technical and environmental documentation in order to obtain all the necessary permits for commencing ore exploitation and processing at the former plant site and open pit at Veovača.

There are two phases for this; firstly the permitting around the rehabilitation and closure of the former mine (referred to as the 'demolition permit') and a second phase which focuses on planned activities for a new operation at Veovača. Each phase requires both a Water Permit and an Environmental Permit as well as the Permit to carry out the specified activity.

To date, no permitting activities have focussed on the Rupice deposit specifically, although it is understood that the Veovača exploitation will also secure the Rupice concession. Table 31 below summarises the permitting status of the two phases of the project.

Table 31: Permitting Status

Permit type	Submitted	Approved
<b>Demolition Permit</b>		
Water Permit	24 <sup>th</sup> June 2019	Decision on Preliminary Water Permit No: UP-I/25-1-40-365-4/19, 11 <sup>th</sup> July 2019
Environmental Permit (includes Waste Management Plan)	27 <sup>th</sup> June 2019	Received 28 November 2019
<b>Exploitation Permit</b>		
Water Permit	13 <sup>th</sup> September 2019	Two permits issued. One (04 November 2019) for discharge of site runoff (UP-I/25-1-40-508-5/19), one (05 November 2019) for water supply and discharge of process water (UP-I/25-1-40-556-3/19).
Environmental Permit	30 <sup>th</sup> September	Awaiting approval

### 2.13.3 Social Setting

The site is located in the Municipality of Vareš which consists of the town of Vareš and five small surrounding communities, namely Tisovci, Pržići, Brezik, Daštansko and Višnjići. The population of the Municipality was 8,892 in 2013, down from 25,523 in 1971 when the mine and other industrial activities were active. The population of the villages listed above is 293. The average age of the population of Vareš is 44.5, which is higher than the average for BiH, which is 38.5. The average age of the residents in the surrounding villages is higher again, at 52.7. This is indicative of younger people leaving the area in search of employment elsewhere in Bosnia, the Balkans and further afield.

The project site is in a relatively isolated area with few developed roads. The R-444 connects Vareš with the neighbouring municipality of Breza. The railway which previously served the mine ceased operating in 1991.

Some dwellings are located within 20 - 30m of the old processing plant and 40m from the old open pit. The potential impact of the project on these will be determined in the forthcoming environmental and social studies, but it may be necessary in due course (7 – 8 years from the start of construction) to resettle some families in the village of Daštansko (population 118 in 2013) which is close to the old Veovača open pit. However, it is envisaged that no mining activities will take place here until 7 – 8 years after mining commences at Rupice. A road leading to the village which currently runs through the open pit will need to be rerouted to the north, increasing the length of the access road from 3km to 4.5km.

Baseline social and economic data will be collected from Household Surveys during the baseline study phase, as determined by the E&S Scoping Study. Topics likely to be covered include Ecosystem Services, Traffic, Landscape and Visual assessment, Human Health Risk Assessment, Cultural heritage and Land use.

There are some known archaeological and cultural heritage sites in the area, such as the 16<sup>th</sup> Century church in Vareš believed to be the oldest Catholic church in the country, and the Ottoman period bridge in Vareš town which is similar in style and date to that in Mostar. However, none are believed to be in the immediate vicinity of planned project infrastructure. Surveys will be carried out and a Chance Find Procedure will be developed for use during the life of the project. The rich industrial heritage of the area will also be documented as part of these studies.

### 2.13.4 Stakeholder Engagement

Eastern Mining is reported to enjoy excellent relations with the local Municipality, who are supportive of the project, recognising that it represents an opportunity not only for the redevelopment of a derelict and potentially contaminated site, but that it will bring direct jobs and indirect jobs and benefits through the local purchase of goods and services. To date, some small community projects have been funded by AML/Eastern Mining, such as cultural events and the donation of laptops to the local library.

An Information Centre has recently been opened in Vareš which acts as a focal point for enquiries about project activities, job opportunities, selling land, and requests for support for cultural and community projects. Initial stakeholder mapping has been carried out.

As part of the environmental and social Scoping Study, a Stakeholder Engagement Plan will be developed following initial stakeholder engagement. This will help to guide and document the sharing of information and community concerns about the project, to ensure that they are taken into account both during the studies and the planning of the project.

### 2.13.5 Potential Impacts

At this stage, potential impacts only can be identified. These will be examined further using a rigorous assessment process during the Impact Assessment phase which is likely to take place during the Feasibility Study. However, impact assessment is an iterative process and relevant information on the findings of the baseline studies will be shared and discussed with the engineering team on an ongoing basis. In particular, environmental and social sensitivities and constraints will be identified, including the spatial extent, location, potential for avoidance and potential for mitigation, as appropriate. Any time constraints will also be included (for example, seasonal presence of protected species or periods when activities should be avoided). Typical impacts from a mine of this nature derive from the construction, operational and closure phases and will be assessed on this basis. These will include:

- Air quality – gaseous emissions, dust deposition and suspended particles;
- Water quality – suspended solids, dissolved metals and products of ARD and surface and groundwater;
- Noise;
- Traffic;
- Vibration and flyrock;
- Dislocation;
- Visual impact;
- Spills;
- Land use;
- Biodiversity;
- Archaeology and cultural heritage;
- Socio-economic development;
- Employment, and
- Resettlement.

### 2.13.6 Mine Closure

Mine closure planning is an ongoing process which starts at the design phase and will progress from a preliminary plan prior to or during early construction to the completion of a detailed Mine Rehabilitation and Closure Plan (MRCP). This will be prepared during the production phase of the project, once further information is available regarding the operations, stakeholder expectations, results of any progressive rehabilitation, success of revegetation trials for closure and an updated schedule on mine closure. The MRCP will include decommissioning of all production facilities, the handover agreements of infrastructure to local or national authorities, staff retrenchment, final land rehabilitation and the stakeholder engagement process. The closure and abandonment of the former lead zinc mine, as well as the iron mine and smelting facilities, has left an obvious environmental and social legacy at Vareš, so closure of the planned operations has particular significance in terms of leaving a safe, stable and clean environment and a positive social legacy.

## 2.14 Exploration Potential and Targets

The Vareš mineral field occurs within a well-defined 20 km x 10 km corridor of prospective Triassic stratigraphy with numerous mineralised occurrences. The hydrothermal system driving the mineralisation typically occur in clusters as appears to be the case in the Vareš mineral field, supporting the potential for further discoveries of base metal mineralisation.

Exploration of the Vareš Project can be approached on scales ranging from in-mine, near mine, and, if additional tenure is granted, regional exploration activities along the 20 km strike length of the prospective Triassic stratigraphy. Past exploration within the prospective trend outside of the three granted areas has been limited with no drilling.

Adriatic has summarised the outcropping mineral occurrences and available historical exploration information and prioritised them (Figure 41 and Table 32). These mineral occurrences have not been explored with modern exploration techniques and include prospects outside granted licences.

Table 32: Exploration Targets in the immediate district

Deposit	Work completed to support the conceptual exploration potential
Orti	19 diamond drillholes over an area of 500 m x 150 m
Široki-Radakovac	Possibly five diamond drillholes, numerous outcrops of lead-zinc mineralisation, and geochemistry, geophysics and mapping of host rock over an area of 1,000 m x 750 m
Ceo-Sutjeska	
Kraljeva Jama	
Zakrušje	
Juraševac-Brestić	Underground workings over an area of 400 m x 280 m and five diamond drillholes
Selište	At least one diamond hole, and mapping of the host rock over a distance of 400 m x 300 m
Suma*	Numerous outcrops of lead-zinc mineralisation, and geochemistry, geophysics and mapping of host rocks over an area of 1,000 m x 2,000 m

Note: Suma is outside of the current "expanded" Adriatic concession.

Given the nature of the mineralisation and structural complexity, the potential for additional non-outcropping mineralisation appears reasonable. The use of modern exploration techniques and a systematic approach will improve the potential for discovery.

### 2.14.1 Veovača Concession Exploration

Within the Veovača exploitation concession, there are opportunities for extensional and incremental additions to the defined resource. Extensional opportunities include the down plunge extension to the northeast such as highlighted in Figure 39. Given the shallow nature of the mineralisation intersected (i.e. 100 m to 150 m), deeper drilling is a low-risk/high-reward proposition but further geological mapping and modelling is required to generate drill targets. Additionally, but as yet completely untested, is the Veovača North prospect where historical diggings over a strike length of 500 m remain to be explored, although recent soil sampling over the area as part of the initial exploration of the Orti-Mekuse-Seliste area, returned coincident lead and zinc in soil values of up to 2%.

The Orti and Seliste prospects, both of which are within 100 m of the main Veovača mineralisation, have not been explored by Adriatic. Adriatic has scanned logs of 18 historical drillholes from Orti, 100 m to the north of the main Veovača mineralisation, some of which have intersected low-grade lead and zinc mineralisation within brecciated limestone. Little is known about the Seliste prospect, located 100 m to the northeast of Veovača (Figure 41 and Table 32).

There are few gold or silver analyses available in the prospect drilling on the periphery of the Veovača resource and future assaying for these elements represents an opportunity to increase the value of the resource. During exploration drilling, mineralised and waste samples should be subjected to physical properties tests including density, conductivity and magnetic susceptibility to guide future

regional geophysical exploration activities. Trace element geochemistry should also be undertaken to provide guidance for litho-geochemical exploration and geometallurgical modelling.

Exploration potential within the “expanded” Adriatic concession is indicated by historical IP chargeability anomalies associated with historic brownfields base metal prospects.

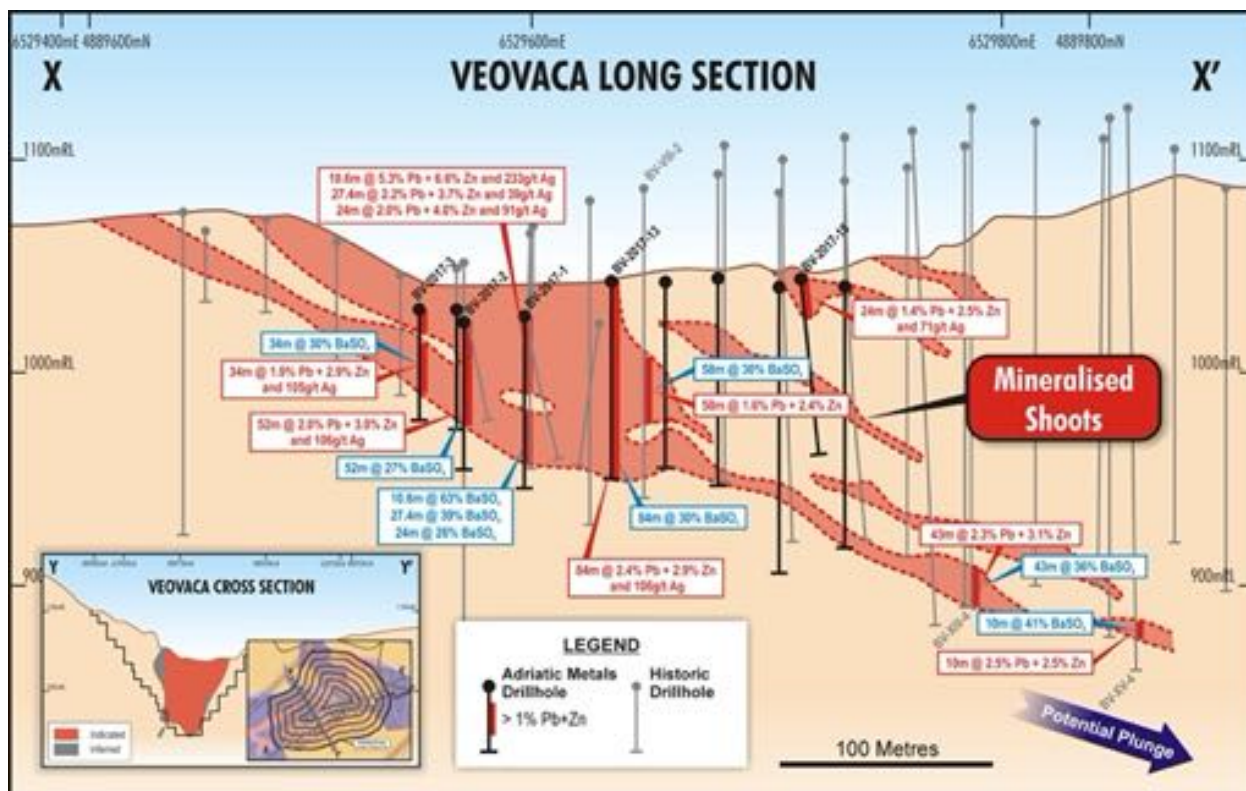


Figure 39: Long sections of Veovča mineralisation demonstrating potential for repeat lenses below the pit and additional plunging mineralisation

Note: Modified from Adriatic presentation.

Source: Adriatic (2019A)

### 2.14.2 Rupice Potential and Targets

Historical geophysical programs (IP) from Rupice to Jurasevac defined several chargeability anomalies. A detailed high-powered (30 kVA) IP survey using a PDP3D array method was completed over the Rupice mineralisation in 2019. Preliminary results have demonstrated that the known mineralisation has a clear IP chargeability response. An additional anomaly has been defined approximately 200 m west of the current and historical drilling. This data warrants further exploration for repetitions or extensions to the Rupice mineralisation towards Jurasevac (Figure 40).

To the south of Rupice, there is a sub-parallel trend with several chargeable anomalies within the Borovica Corridor (Figure 40). The Borovica corridor is partly within the “expanded” concession area, with the balance extending regionally into areas earmarked for potential future exploration by Adriatic. These anomalies represent significant exploration targets, further exploration at this stage using non-destructive activities (i.e. geochemical and geophysical surveys) is recommended.

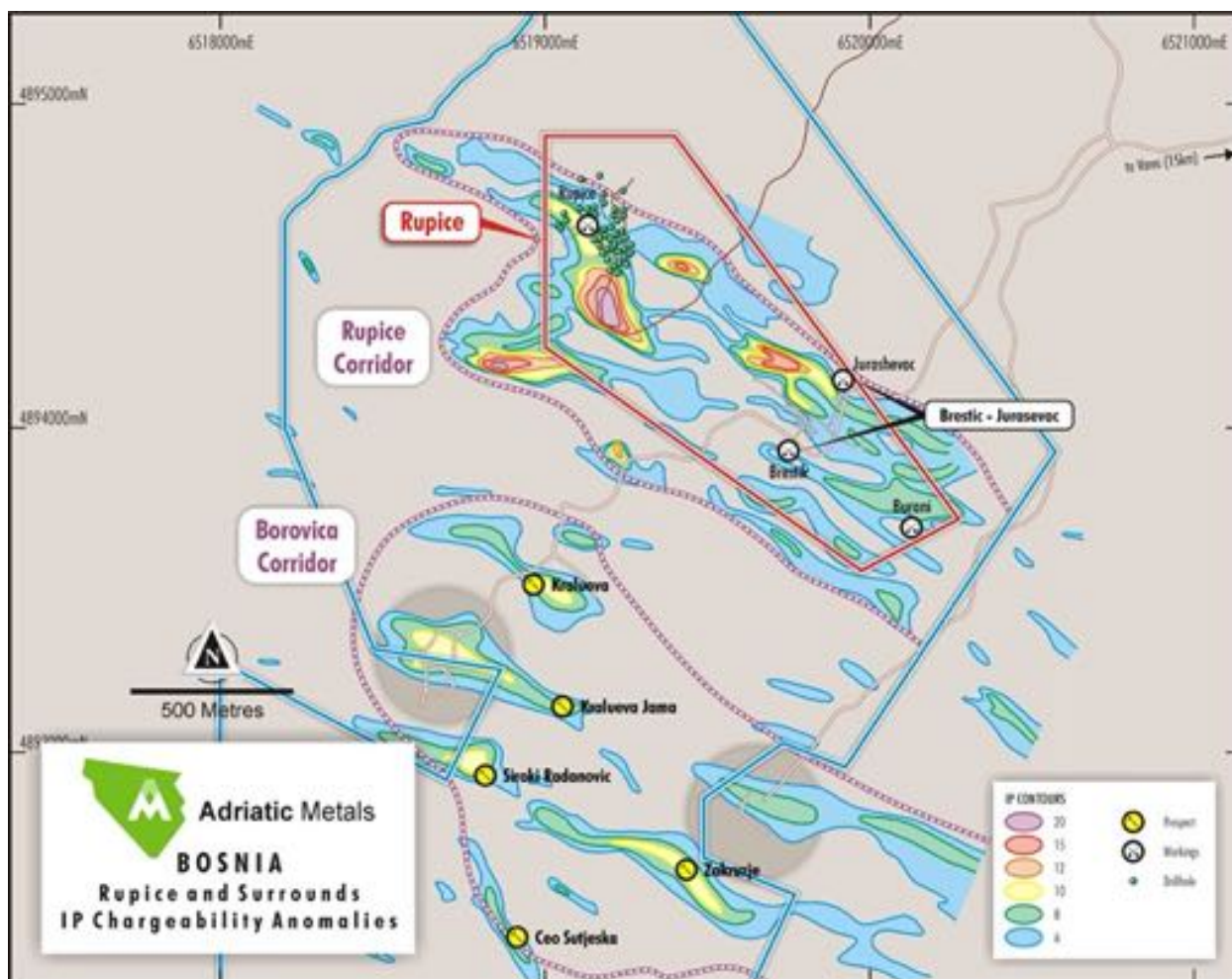


Figure 40: Rupice exploitation concession with known prospects within it and the Borovica prospects in the regional prospect area to the south (the grid is MGI 1901/Balkans Zone 6)

Note: The dotted purple lines represent chargeability corridors identified by Adriatic.

Source: Adriatic.

## 2.15 Planned Work

Adriatic has planned a systematic exploration program targeting the known deposits extensions and the prospective Triassic stratigraphy. Exploration activities will initially focus on key targets at Rupice and Veovača. Activities will include soil geochemistry, geological mapping, IP and gravity surveys followed by drilling on selected targets.

Based on the review of historical exploration data, Adriatic has identified various regional prospects which lie both within, and outside the existing “expanded” concession area. All the regional prospects lie within the prospective stratigraphy outlined in Figure 41. It is noted that Adriatic may not be successful in obtaining licences over this prospective ground.

According to Adriatic, neither the Mining Act nor Concession Law regulate directly geological activities in the regional prospect area surrounding the existing Adriatic Concession. However, according to Adriatic, with the approval of either a private landowner or the competent state authority (for State-owned areas), it is possible to undertake limited exploration activities within the regional area if they are non-ground disturbing, such as geochemistry, geophysics and mapping activities (Figure 41).

Adriatic intends, subject to the ongoing consent of competent state authority and/or private landowners, to conduct non-ground disturbing work, including inter alia rock chip sampling, soil geochemistry, mapping and ground geophysics (IP) as part of the ongoing assessment of the potential

of some of the regional prospects that lie outside the existing concession boundary. Should Adriatic wish to extend its existing licence boundaries, it will need to continue its dialogue with the Ministry of Economy and take advice on the recommended process to do such an extension.



Figure 41: Vareš Project concession, prospects and stratigraphy (the grid is MGI 1901/Balkans Zone 6)

Source: Adriatic

Adriatic intends to continue an aggressive exploration program both within its “extended” concession area to include deposit extensions and repetitions, off-mine exploration and district exploration with the latter to extend outside the concession areas of Rupice and Veovača if permissible. Exploration will focus in order of scale and priority on the following:

- Complete geological mapping, interpretation and modelling in the prospect areas to improve understanding of mineralisation controls and targeting, integrated with drillhole logging, litho-geochemical data analysis and modelling, and geophysical targeting.
- Drilling to infill and grow the MREs at Rupice and Veovača and upgrade their current classification.
- Commence a drilling program at the Brestic and Jurasevac (BJ) mineral occurrences where PDP3D geophysics has identified a chargeability anomaly offset from the underground exploration drives and extend this drilling to the northwest where another chargeability anomaly is located midway between the BJ workings and the Rupice deposit.
- Commence a detailed exploration program over the entirety of the Veovača North, Orti and Seliste prospects by way of:
  - data compilation
  - geology mapping, logging and interpretation for targeting, including structure, lithofacies and alteration
  - IP using either gradient array, PDP or PDP3D

- soil geochemistry on a minimum 50 m x 50 m grid in areas of interest, in conjunction with mapping
- diamond drilling.
- Commence a detailed exploration program over the entirety of the Borovica corridor by way of:
  - data compilation
  - geology mapping, logging and interpretation for targeting, including structure, lithofacies and alteration
  - trenching and rock chipping of the adits, in conjunction with mapping
  - diamond drilling.
- Commence exploration of the Triassic stratigraphy between Rupice and Veovača subject to tenure using integrated geological, geochemical and geophysical targeting based on a well-defined targeting model.

Budgets for the work programs detailed above are provided in Table 33. The work programs and associated budgets are considered reasonable and appropriate by CSA Global.

Table 33: Planned budgets (2019/2020) (Australian dollars)

Activities (A\$)	2019		2020				TOTAL
	Q3	Q4	Q1	Q2	Q3	Q4	
Exploration staff	222,500	222,500	222,500	267,000	267,000	267,000	1,468,500
Geochemistry	20,000	20,000	20,000	20,000	20,000	20,000	120,000
Geophysics	135,000	135,000	135,000	135,000	135,000	135,000	810,000
Drilling	600,000	600,000	200,000	600,000	800,000	600,000	3,400,000
Assays	43,680	43,680	14,560	43,680	58,240	43,680	247,520
Access	20,000	20,000	6,667	20,000	26,667	20,000	113,333
Equipment hire/purchase	50,000	-	50,000	-	50,000	-	150,000
Remote sensing (airborne)	-	-	400,000	-	-	-	400,000
<b>Subtotal – Exploration</b>	<b>1,091,180</b>	<b>1,041,180</b>	<b>1,048,727</b>	<b>1,085,680</b>	<b>1,356,907</b>	<b>1,085,680</b>	<b>6,709,353</b>
Metallurgical	400,000	400,000	100,000	200,000	400,000	400,000	1,900,000
Mining	200,000	200,000	50,000	100,000	200,000	200,000	950,000
Geotechnical	35,000	35,000	35,000	35,000	35,000	35,000	210,000
Hydro	20,000	20,000	20,000	20,000	20,000	20,000	120,000
Scoping and feasibility	300,000	300,000	300,000	300,000	300,000	300,000	1,800,000
Environmental	250,000	250,000	250,000	250,000	250,000	250,000	1,500,000
<b>Subtotal – Pre-Development</b>	<b>1,205,000</b>	<b>1,205,000</b>	<b>755,000</b>	<b>905,000</b>	<b>1,205,000</b>	<b>1,205,000</b>	<b>6,480,000</b>
Working capital	-	-	-	-	-	-	-
Public offering costs	-	-	-	-	-	-	-
<b>GRAND TOTAL</b>	<b>2,296,180</b>	<b>2,246,180</b>	<b>1,803,727</b>	<b>1,990,680</b>	<b>2,561,907</b>	<b>2,290,680</b>	<b>13,189,353</b>

Note: includes A\$23.6M that Adriatic communicate they currently has at hand on 29 November 2019.

Whilst exploration work will continue as outlined above, there will be ongoing study work taking place for metallurgical processing, hydrogeological, hydrological, geotechnical, mine design, tailings storage and environmental. This will feed in to a Prefeasibility Study and potentially ultimately a Feasibility Study and complete Environmental and Social Impact Assessment. The Prefeasibility Study is currently targeted to be completed in Q1 2020 with the Feasibility Study and an Environmental and Social Impact Assessment planned for Q4 2020.

The near-term plan is focused around the following targets for 2019/2020, which are captured in the flowchart below (Figure 42);

- Prioritising the continued exploration and growth of a high-grade resource base at Rupice
- Development of an integrated plan that optimises project economics at both locations
- Advancing the permitting status on a well-defined pathway towards exploitation
- Continued exploration on regional brownfield prospects to define further drill targets for 2019.



Figure 42: Planned work programs for 2019  
 Source: Adriatic

### 3 Technical Risks and Opportunities

The key technical risks borne out of recent study are as follows:

- The Veovača exploitation licences I and II covering the processing/tailings site and the Veovača pit respectively have expired. Adriatic are currently reapplying for these licences under the existing Concession Agreement 04-18-21389-1/13.
- Given the Veovača conceptual pit covers 60% of Veovača II, there is a limit of expansion potential, particularly for pit depth extension as the conceptual pit abuts against the northern concession boundary. Adriatic has been granted the Veovača-Orti-Mekuše-Selište exploration licence adjacent to Veovača II in November 2018.
- According to the Rjesenje (Permission Concession document), the current concession relates to metallic mineral resources including, lead, zinc and barite analysis and extraction. Historical and recent exploration has identified potential value in silver, gold, antimony and copper as co-products. According to Adriatic, although these elements are not specifically stated, this is in discussion with the Ministry of Mining and Adriatic expects to have approvals for these additional elements.
- All minerals project face similar risks during the progression to mining and production:
  - The progression of Mineral Resources to increasing levels of confidence is dependent on the outcome of infill drilling. There is no guarantee that additional drilling will lead to progressive upgrades in resource confidence.
  - The progression from Mineral Resources to Ore Reserves requires the application of a raft of modifying factors which are detailed in the JORC Code. Significant further data acquisition and technical study work will be required to address each of these factors. There is a risk that adverse findings will prevent Ore Reserves from being determined. An example is metallurgy. It is understood that Adriatic are currently planning additional study works.
  - The metallurgy of polymetallic deposits such as Veovača and Rupice are complex and will require additional geometallurgical modelling and metallurgical testing to refine recoveries. Poor metallurgical performance of samples could inhibit the reporting of Ore Reserves. It is understood that Adriatic currently have additional metallurgical study underway.
  - The progression from Ore Reserves to mine development requires a Feasibility Study to estimate the costs involved and the revenue projected to result. Significant further data acquisition, technical study work, detailed engineering design and economic modelling will be required to address numerous factors. There is a risk that adverse findings will determine the Project to be unfeasible. For instance, marketing of the forecast concentrate products will require further study.
- At all stages there is the risk that commodity prices may fall below prices that sustain a potential mine.

Environmental, permitting, legal, title, taxation, socio-economic, marketing, and political or other relevant issues could potentially materially affect access, title or the right or ability to perform work on the Property. However, as of the Effective Date of this CPR, the Competent Person is unaware of any such potential issues affecting the Property.

Specific potential risks in relation to specific areas of technical and economic evaluation completed to date, which should be addressed as part of further study, include;

### 3.1 Mining

- Ground conditions indicated poor to moderate rock mass conditions. Cost and production delays might arise from extensive and / or intermittent very poor rock mass conditions.
- Mechanical raise-boring of the main exhaust ventilation shaft may not be possible due to rock mass conditions. It is recommended that a geotechnical borehole be drilled at the proposed ventilation shaft position to determine if mechanical excavation and subsequent long-term support is possible.
- Groundwater sources that will not be able to sustainably augment the potential negative water balance at Rupice.
- Geotechnical analysis indicating that the proposed mining extraction strategy is not possible may lead to increased cost for alternative mining methods such as cut-and-fill.
- The Veovača open pit is in close proximity to a nearby village settlement. A detailed blasting study will be required to ensure that fly-rock, ground vibrations and air blast risks are mitigated.

### 3.2 Processing

- Variability in zinc, lead, precious metal and barite recovery by lithology.
- The existing tailings impoundment will not be used for the first 7-8 years of production as the tailings will be transported back to Rupice for stope backfilling. This presents a reputational risk should a failure occur during this initial period, although the responsibility of the tailings may not be applicable for the initial period. Consideration should be given to buttressing the dam wall with waste material from Veovača open pit and exercised as an “option cost” once a decision to mine Veovača is finalised.
- Currently water balance requirement at the Veovača location appears to have been completed on average annual basis, ignoring monthly precipitation values and potential for a negative water balance during the dryer summer months. Better understanding is required to assure adequate water storage capacity.
- Metallurgical testwork to date has been mainly limited to average grade samples. Higher grades of penalty elements, such as mercury, do exist within the deposit and should be investigated.
- Testing to produce Barite concentrates has shown that these are accompanied by high-grades of mercury, potentially above US EPA levels in certain markets. This may impact on marketability of the barite concentrate. Whilst roasting tests have indicated a significant reduction, the capital required is not considered in the overall capital estimate.

### 3.3 Marketing

#### 3.3.1 Lead/Silver Concentrate

- Variable and potentially high levels of deleterious elements (mercury, arsenic, barium) may potentially impact or limit export to certain markets and penalties may apply;
- Relatively low silver for Western smelters will limit override of high mercury content;
- More expensive and extensive logistics required for lead concentrate shipments compared to other bulk commodities;

- Product stewardship issues with high mercury content material will potentially increase costs and visibility with NGOs;
- Blending may be needed to increase marketability and reduce costs but at the expense of blending costs/discounted sales values.

### 3.3.2 *Zinc Concentrate*

- Variable and potentially high levels of deleterious elements (mercury, barium) could impact or limit export to certain markets and penalties may apply;
- High levels of silver and gold will impact value recovery if blended on the basis of current market payables;
- Blending may be needed to increase marketability and reduce costs but at the expense of blending costs/discounted sales values
- Product stewardship issues with potentially high mercury content material could increase costs and visibility with NGOs;

### 3.3.3 *Barite Concentrate:*

- Potential future threshold values for heavy metals including lead and mercury may require further processing to ensure a cleaner product.

## 3.4 **Environmental**

- In relation to permitting, Rupice may not be allowed to be included under the Veovača permit;
- In relation to land ownership and acquisition, determining legal status of ownership at Veovača, Rupice and along the haul road between the two deposits may be complicated and may delay the project;
- There may be potential delay during the compulsory purchase and resettlement of isolated properties near Rupice and the village of Dastansko near Veovača;
- Work may be required on remediation of historically contaminated land in the proximity of the old Veovača plant. There may be legacy issues arising from the old tailings dam and contaminated water;
- Potential acid generating mineralisation with significant heavy metal load, and;
- There may be some negative response to the project due to the recent advance in tourism based activities in the area.

The following opportunities have been identified;

- Potential employment for local people;
- Opportunities for local supply and support businesses;
- New and upgraded roads in the area;
- Potential for rail infrastructure to be upgraded;
- Removal and clean-up of historic contaminated sites;
- Improvement to local communications networks;
- Location of process plant to be closer to Rupice;
- Reduced haulage costs by considering aerial ropeway system with gondolas;
- Alternative technologies for processing to reduce potentially deleterious material, and



- 
- Potential for further concentrate products, i.e. copper concentrate, gold extraction from pyrite concentrate.

## 4 Conclusions and Recommendations

In CSA Global's opinion, the Vareš Project has good potential for economic exploitation of the two key deposits, Veovača and Rupice, and for further exploration success and discovery. The Mineral Resource estimated for Veovača and Rupice have potential for extension and improved classification with additional drilling to increase the level of confidence in the estimates and, with additional economic studies, to progress towards the eventual reporting of Ore Reserves.

CSA Global recommends the following to enhance the effectiveness of targeting, Mineral Resource estimation and economic optimisation:

- Develop a central master drillhole database for the project as a “single point of truth” with appropriate data management protocols and to maintain current QA/QC procedures to provide robust data for subsequent Mineral Resource upgrade evaluation.
- Advance drill definition of the Rupice and Veovača deposits as a high priority and progress geological and mining studies to optimise the economic evaluation of the deposits.
- Complete integrated geological, structural, lithochemical and alteration studies, interpretation and modelling at Rupice and Veovača to improve understanding and to optimise modelling and targeting of resource extensions. As part of this study, complete focused structural and geological mapping and logging of the deposit areas – at present, there is no detailed geology mapping of the Veovača deposit and geological understanding is poor whereas at Rupice, outcrop is more limited but additional geological understanding can be developed from representative re-logging of drill core.
- In this process, improve the routine logging process and coding system to align with key geological data acquisition. In particular, focus the geological evaluation on improved understanding, modelling and targeting of high-grade mineralisation based on understanding of structural and lithostratigraphic controls and lithochemical signature.
- Integrate the geological and lithochemical study into a geometallurgical study to interpret and model variability in mineralisation and ensure selection of representative samples for testwork. In particular, develop models for distribution and estimation of the complex mineralogy and metal distribution, including payable and deleterious elements which will add confidence to downstream mining studies.
- Integrate the geological and lithochemical study with geophysical rock-property testwork to fully understand the geophysical response of the mineralisation and host rocks to assist with further geophysical exploration.
- Use the improved geological understanding to refine the ranking and prioritisation of additional prospects within the current granted concession areas and undertake focused exploration on prioritised targets within granted tenure.
- Consideration will be given to exploration outside of currently permitted areas, subject to technical merit and approval by the relevant authorities.
- Evaluate ground and airborne geophysical surveys based on results of geophysical property testwork to better understand potential magnetic, electromagnetic and IP response of mineralisation and alteration.
- If possible, extend tenure to cover the main part of the Vareš district.
- Complete mining and processing studies as part of a Prefeasibility Study.
- As a priority, complete additional metallurgical testwork guided by a geometallurgical study and domain model to ensure representivity.

It is suggested that a progression to PFS is warranted, and should consider the following;

#### 4.1 Mineral Resources

- Updates to Mineral Resources based on ongoing infill and de-risking drilling with improved understanding of domains via geological and geometallurgical investigations.

#### 4.2 Geotechnical Aspects

- Outcrop mapping
- Targeted orientated geotechnical drilling using triple-tube methods to improve the quality sample collection
- Improve structural logging of the core.
- Develop a comprehensive dataset of intact rock strengths
- Complete geomechanical characterisation of rock domains and fault zones
- Examine aspects of Rupice infrastructure planning re portal and RAW locations and proximity to major structures.

#### 4.3 Hydrology

Conduct additional studies to improve the level of understanding relating to the hydrology and hydrogeology at the Rupice deposit. This additional information would also increase the confidence with regards to predictions for mine water management at Rupice and Veovača deposits, specifically with the intention of securing water supply to the processing plant.

#### 4.4 Mining

- Improve mining operating cost benefitting from detailed mining contractor quotations.
- Review haul-road routing between Rupice and Veovača and consider ropeway trade-offs.
- Review the mining plan for Rupice with any revised resource models, updated smelter TCs & RC, and commodity pricing. Consider implications of penalty elements and examine blending options.
- Conduct the necessary engineering work to determine the optimum parameters for the cemented paste fill.
- Review infrastructure layout considering updated geomechanical domains and structure model.

#### 4.5 Processing

Areas which should be considered in a further evaluation of the project are as follows:

- It is evident that liberation of the valuable minerals should be the major focus for further improvements to metallurgical performance. Regrinding of rougher concentrates to the ultra-fine size (10 µm to 15 µm) indicated by petrographic and mineralogical examinations is required to produce a separate saleable copper concentrate.
- Further test work on other unit processes (DMS pre-concentration, gravity gold recovery, ore grinding characteristics and ancillary processes) may be beneficial for cost benefit analysis, to improve design confidence and to optimise capital and operating cost estimates.
- Additional technologies need to be investigated on technical and economic grounds to look to reduce the potential penalty elements reporting to the final metal concentrates. Further consideration needs to be given to investigate the alkaline sulphide leach process

and other potential technologies for the removal of potentially deleterious elements in addition to roasting, such as:

- Toowong Process™;
  - Sunshine Process; and
  - Equity Process
- Carry out further testing to ensure a saleable barite concentrate from the Veovača material.

#### 4.6 Market and Economics

- The metallurgical studies will need major enhancement, as the information is, thus far, limited. It will be important to ensure that the quality, with particular reference to deleterious elements, lead, zinc, antimony, gold, silver content, sulphur content iron and other major elements and compounds is more certain, particularly for the early years of production. Improvements in quality assurance will facilitate more ease to market the material and drive better terms. Radiation testing, though 'seemingly' unnecessary should be made to eliminate potential surprises later.
- In relation to marketing it will be important, once more data has been gathered on the quality aspect of the concentrate, to begin early-stage marketing with smelters. Budgeting for the costs of enhanced marketing will therefore be needed to be taken into account in any further financial analysis.
- The logistics studies will require enhancement, as progress is made on the PFS. Further detailed analysis and multiple quotes from truckers, warehouses and handling agents will be needed to assure management that a rigorous analysis has been made and that the chosen method and costings will be verifiable and assured. Significant changes to the cost of transportation may make a material impact on the economics of the project. More analysis of the potential for higher ocean freight rates would, for instance, appear to be a prudent step. Potential for ecological damage to the environment will be lowered using a Rotainer® type system, but if other bulk transport alternatives are considered it will be important for Adriatic to be reassured that a high degree of product stewardship will be maintained, to avoid any unnecessary media or NGO issues. CSR will need to be reassured of the efficacy and viability of the logistics set-up for AML.

#### 4.7 Environmental

- Confirm permitting coverage and develop a contingency plan for rapid application for a separate Rupice exploitation permit if required.
- Undertake a land/property ownership inventory for Veovača open pit, waste dumps and processing plant sites; Rupice U/G mine site facility; and the transport corridor. Set up and publicise an appropriate acquisition procedure.
- Identify likely requisition of property required for the Project assets and infrastructure and continue discussions/negotiations for acquisition/resettlement preferences and plans.
- Clearly identify pre-existing contamination sources and ensure accurate soil quality mapping as part of the baseline studies to ensure legacy issues are not linked to the Project, and to aid clean-up and rehabilitation.
- Undertake comprehensive geotechnical and water quality assessments of the existing TSF to ensure structural stability and to better inform design and planned engineering for future tailings facility expansion as required.



- Undertake detailed geochemical testwork, ideally using samples from recent drilling programmes that are representative of ore and waste materials anticipated from the project operations. Representative sample selection, preparation, testwork and analyses can be time consuming and initial studies should be started as soon as possible. Geochemical studies should however continue and progress through levels of detail in-line with scoping, PFS and FS.
- Initiate early and inclusive stakeholder engagement to keep affected communities and the wider public aware of Project plans and intentions; to determine any concerns; and to ensure inclusion of suitable mitigations to allow Project social licence.

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## 6 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Wikipedia (<http://wikipedia.org>).

<b>Alpine orogeny</b>	Period of mountain building that affected the ancient Tethyan ocean. It began in the Triassic continuing through to the Late Oligocene and Miocene.
<b>Assay</b>	A measured quantity of material within a sample.
<b>Barite</b>	A mineral predominately consisting of barium and composition BaSO <sub>4</sub> .
<b>Basement</b>	Highly folded, metamorphic or plutonic rocks, often unconformably overlain by relatively undeformed sedimentary beds (or cover).
<b>Breccia</b>	Coarse, clastic, sedimentary rock, the constituent clasts of which are angular. The term may also be applied to angular volcanic rocks from a volcanic vent.
<b>Carboniferous</b>	Penultimate period of the Paleozoic era, preceded by the Devonian and followed by the Permian. It began about 359.2 Ma ago and ended about 299 Ma ago.
<b>Collar</b>	Geographical co-ordinates of a drillhole or shaft starting point.
<b>Concession</b>	System of granted tenure which could refer to either exploration or exploitation.
<b>Costeans</b>	Trench completed for geological mapping and sampling.
<b>Cretaceous</b>	Third of the three periods included in the Mesozoic Era. It began 146 Ma ago and ended 65.5 Ma ago.
<b>Copper</b>	Copper is a chemical element with symbol Cu and atomic number 29. It is a soft, malleable, and ductile metal with very high thermal and electrical conductivity.
<b>Cut-off grade</b>	Threshold above which material is selectively mined or queried.
<b>Dinarides</b>	Dinarides occur in two separate regions: in the Herzegovina area (Outer Dinarides) to the south and in Bosnia to the north. The Inner Dinarides (Bosnia) are composed of deeply weathered clastic, metasedimentary, metamorphic and igneous rocks. They included mostly Palaeozoic-Triassic rocks and the Dinaride Ophiolite Zone.
<b>Faults</b>	Approximately plane surface of fracture in a rock body, caused by brittle failure, and along which observable relative displacement has occurred between adjacent blocks.
<b>Flysch</b>	Sedimentary facies term used to describe a thick succession of redeposited, deep-sea, clastic material.
<b>Gold</b>	Native gold is an element and a mineral. Gold occurs in hydrothermal veins deposited by ascending solutions, as disseminated particles through some sulphide deposits, and in placer deposits.
<b>Lead</b>	Lead is a chemical element with symbol Pb, atomic number 82. It is a heavy metal that is denser than most common materials. Lead is soft and malleable and has a relatively low melting point.
<b>Mesozoic</b>	Geologic age that began with the Triassic approximately 251 Ma ago and ended around 65.5 Ma at the start of the Cenozoic. The Mesozoic comprises the Triassic, Jurassic, and Cretaceous periods.
<b>Nappe sliding (slide, gravity gliding)</b>	The movement of rock bodies in response to gravitational instability along particular planes in unstable regions which leads to the formation of thrust.
<b>Ophiolite melange</b>	A linear belt of highly deformed rocks, including tectonic mélanges, lenses of ophiolites, deep-sea sediments which is interpreted as the boundary between two collided continents or island arcs.
<b>Palaeozoic</b>	First (542–251 Ma) of the three eras of the Phanerozoic.
<b>Quaternary</b>	Either a sub-era of the Cenozoic Era of geologic time that began 1.806 Ma ago and continues to the present day.
<b>Schist</b>	Regional metamorphic rock of pelitic composition which displays a schistosity. Schists are coarser-grained than phyllites, having a grain size greater than 1 mm.



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<b>Sedimentary Exhalative</b>	(SedEx) Exhalative processes associated with the upwelling of mineralising fluids into submarine sedimentary environments, whereby mineral deposits, usually of base-metal sulphides, are formed.
<b>Siliciclastic sediments</b>	Lithified, conglomeratic, siliciclastic rock which is unsorted, with sand and/or coarser particles dispersed through a mud matrix.
<b>Silurian</b>	Third (443.7–416 Ma) of six periods of the Palaeozoic Era.
<b>Triassic</b>	Earliest (251–199.6 Ma) of the three periods of the Mesozoic Era.
<b>VMS</b>	Volcanogenic massive sulphide deposits formed in close temporal association with submarine volcanism by hydrothermal circulation and exhalation of sulphides which are independent of sedimentary processes. When deposited into sedimentary rocks may be termed Besshi Style VMS.
<b>Zinc</b>	Zinc is a chemical element with symbol Zn and atomic number 30. It is the first element in group 12 of the periodic table.

## 7 Abbreviations and Units of Measurement

%	percent
°C	degrees Celsius
A\$	Australian dollars
Adriatic	Adriatic Metals Plc
AIG	Australian Institute of Geoscientists
ALS	ALS Laboratory Services
API	American Petroleum Institute
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Au	gold
AusIMM	Australasian Institute of Mining and Metallurgy
BiH	Bosnia and Herzegovina
CPR	Competent Person's Report
CSA Global	CSA Global (UK) Ltd
Eastern Mining	Eastern Mining doo
FT	flotation test
g	gram(s)
g/t	grams per tonne
ha	hectare(s)
IP	induced polarisation
IPO	Initial Public Offering
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
kg	kilogram(s)
km	kilometre(s)
km <sup>2</sup>	square kilometre(s)
koz	kilo-ounces
kt	kilo-tonnes
ktpa	kilo-tonnes per annum
LCT	locked cycle test
LiDAR	light detection and ranging (survey)
LSE	London Stock Exchange
m	metre(s)
M	million(s)
mm	millimetres
MRE	Mineral Resource estimate
Mt	million tonnes
Mt/a	million tonnes per annum
NPV	net present value



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oz	ounce(s)
PDP3D	pole-dipole three-dimensional
QAQC	quality assurance and quality control
SedEx	sedimentary exhalative
SHMS	shale-hosted massive sulphide
tpd	tonnes per day
VMS	volcanogenic massive sulphide
WAI	Wardell Armstrong International
ZnEq	zinc equivalent



Australia • Canada • Indonesia • Russia  
Singapore • South Africa • United Kingdom

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**APPENDIX**  
**FINANCIAL STATEMENTS**

Part 1 of this Appendix contains the Company's consolidated audited financial statements for the financial year ended 30 June 2019.

Part 2 of this Appendix contains the Company's consolidated audited financial statements for the financial year ended 30 June 2018.

Part 3 of this Appendix contains the Company's consolidated audited financial statements for the period from 3 February 2017 to 30 June 2017.

PART 1

ADRIATIC METALS PLC CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED 30 JUNE 2019

FOR THE  
YEAR ENDED  
30 JUNE 2019

**ANNUAL  
REPORT  
ADRIATIC  
METALS  
PLC**



Adriatic Metals



## COMPANY DIRECTORY

### Adriatic Metals plc and Controlled Entities

Company Registration No. 10599833

ARBN 624 103 162

### DIRECTORS

**Peter Bilbe** (Non-Executive Chairman)

**Paul Cronin** (Managing Director & CEO)

**Julian Barnes** (Non-Executive Director)

**Eric de Mori** (Non-Executive Director)

**Milos Bosnjakovic** (Non-Executive Director)

**Michael Rawlinson** (Non-Executive Director)

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**Gabriel Chiappini** (Joint)

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COMPANY STATEMENT OF CASH FLOWS

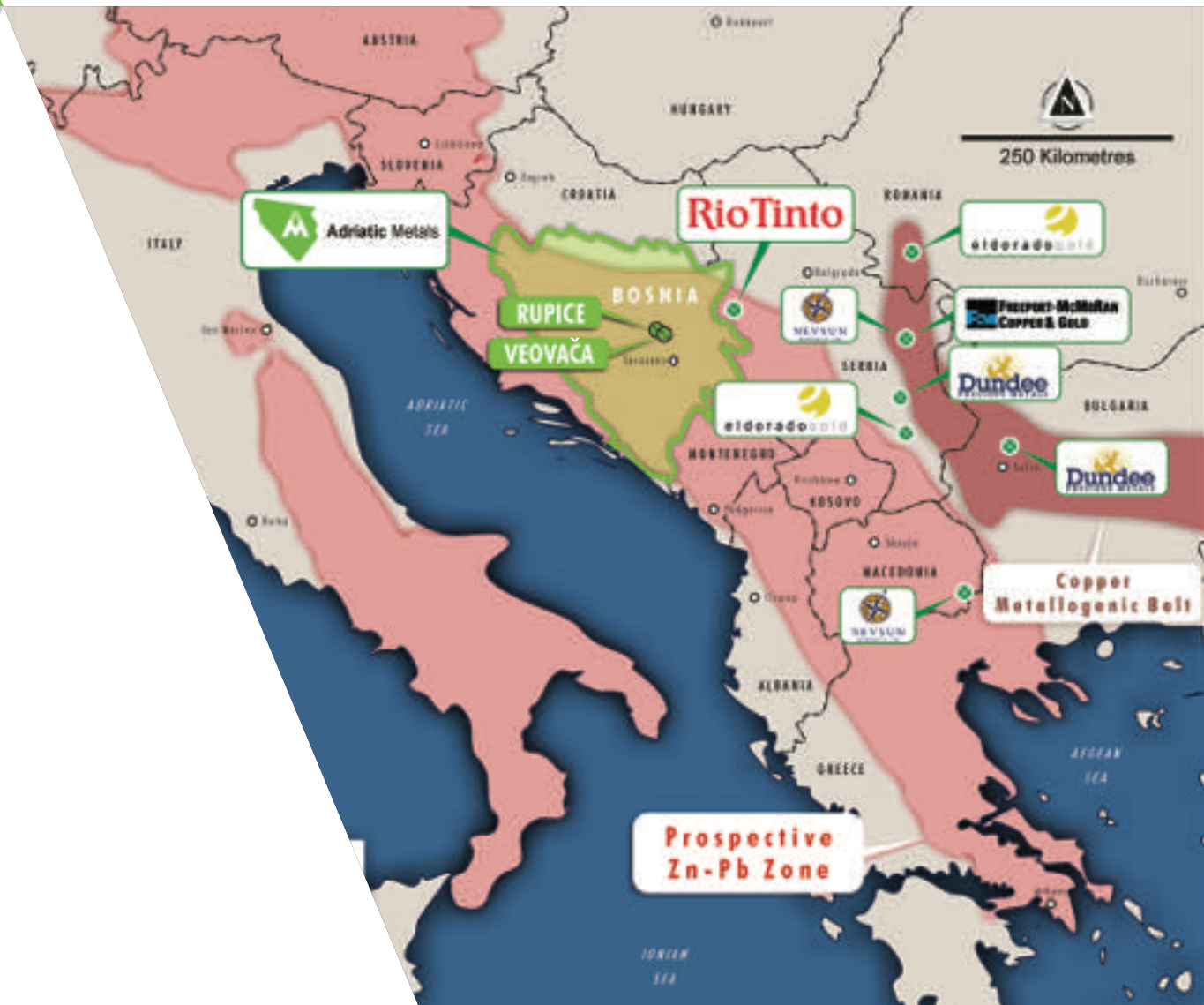
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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

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### ASX ADDITIONAL INFORMATION



ADRIATIC METALS  
PLC IS AN ASX-LISTED  
ZINC POLYMETALLIC  
EXPLORER AND  
DEVELOPER VIA ITS  
100% INTEREST IN THE  
**VAREŠ PROJECT** IN  
BOSNIA & HERZEGOVINA

# STRATEGIC REPORT HIGHLIGHTS FY19

Following Adriatic's successful Initial Public Offering in May 2018, Adriatic finished the calendar year as the best ASX IPO of 2018, with the share price increasing from the A\$0.20 issue price at IPO to close the year at A\$0.575.

In November 2018, Adriatic closed a successful capital raising of A\$10.8 million at an issue price of A\$0.55, welcoming new institutional shareholders onto our register.

We concluded a 13,000m drill programme in December 2018 on Adriatic's 100% owned Vareš project in Bosnia and Herzegovina, significantly extending the known mineralisation of the Rupice prospect, with major drill hole intercepts being announced including;

- Hole BR-13-18 intercepted 24m @ 3.7 g/t Au, 167 g/t Ag, 14.8% Zn, 7.7% Pb, 0.7% Cu and 53% BaSO<sub>4</sub> from 220m
- Hole BR-22-18 intercepted 42m @ 5.7 g/t Au, 245 g/t Ag, 14.1% Zn, 8.4% Pb, 1.4% Cu and 34% BaSO<sub>4</sub> from 222m
- Hole BR-24-18 intercepted 34m @ 3.0 g/t Au, 455 g/t Ag, 13.3% Zn, 6.8% Pb, 0.5% Cu and 60% BaSO<sub>4</sub> from 146m
- Hole BR-25-18 intercepted 46m @ 4.1 g/t Au, 309 g/t Ag, 12.7% Zn, 9.6% Pb, 1.0% Cu and 40% BaSO<sub>4</sub> from 218m
- Hole BR-36-18 intercepted 72m @ 2.5 g/t Au, 211 g/t Ag, 18.3% Zn, 10.0% Pb, 2.5% Cu and 25% BaSO<sub>4</sub> from 206m.

Completion of over 20,000m of drilling on the project has led to the completion of an updated JORC (2012) mineral resource estimate for Veovača and a maiden JORC (2012) mineral resource estimate for Rupice, as follows;

Commenced an extensive Gradient Array Pole Di-Pole Induced Polarisation survey over the entire Rupice prospect seeking to distinguish and identify further high grade target areas for follow up drilling.

Expansion of our senior management team to include Graham Hill as Chief Operating Officer, and expanded our board to include Michael Rawlinson as Non-Executive Director.

Achieved significant regulatory milestones including approvals of an expanded concession area covering key targets at both Rupice and Veovača, and the subsequent issue of an Urban Planning Permit and Exploration Permit over the increased area. Additionally, the 'Reserves' Elaborat for the Rupice deposit was issued by The Federal Ministry for Mines, Energy and Infrastructure, representing a step toward the issue of an Exploitation Permit for the combined Vareš Concession.

# ACTIVITIES & DIFFERENTIATION

**Adriatic is a base and precious metals explorer and developer via its 100% interest in the Vareš Project in the Federation of Bosnia & Herzegovina (Bosnia). The Project comprises a brown-field open cut zinc/lead/barite and silver mine at Veovača, and at Rupice, an advanced exploration deposit which exhibits exceptionally thick mineralisation with high grades of precious and base metals.**

Focussed on expediting exploration and development activities and the establishment of strong in-country relationships, Adriatic has recruited a world class multi-disciplinary team to rapidly advance the Company's assets and to capitalise on its first mover advantage in Bosnia through the assessment of additional potential strategic land holdings.

Adriatic's exploration programme is continuing, following exceptional intercepts at Rupice and declaration of a maiden resource at Rupice, and an updated resource at Veovača. The sites are less than 12km apart and are proximal to or in the near vicinity of existing infrastructure in terms of power, water, rail, sealed roads, access to a skilled workforce, accommodation facilities, service providers and an international airport.

Adriatic seeks to differentiate through its competitive advantages of:

- establishing an early mover advantage in Bosnia as the Company is the only publicly listed mining concession holder in a country with a rich mining history, a pro-mining outlook, highly prospective geology and a stable fiscal and political system.
- strategically increasing its concession footprint, based on a database of historically discovered mineralisation near to its current projects and by reviewing other historic and new opportunities within Bosnia.
- a capable and multi-disciplinary management team which includes well regarded and experienced mining professionals with a track record of project delivery and operating experience.
- identifying through exploration drilling some of the highest grade polymetallic results globally; and
- being well funded for its current activities including the 20,000m diamond core drill programme and numerous technical evaluation programs, to culminate in a Scoping Study during the fourth quarter of 2019.

# STRATEGIC REPORT CHIEF EXECUTIVE OFFICER'S REVIEW

This year has been exceptionally rewarding for Adriatic and its shareholders. Our 2018 and 2019 drilling programme has seen a significant number of extremely high-grade intercepts at the Rupice prospect, and culminated in a maiden Mineral Resource Estimate exceeding most expectations. Your board and management team are focused on ensuring we continue to develop our mineral assets in Bosnia with a view to increasing both the tonnage and metal values of the resources and rapidly progressing scoping and feasibility studies together with progressing the various approvals processes. The Company's key strategic highlights as follows.

## EXPLORATION PROGRAMME & ASSETS

### (i) Rupice Prospect -

The Rupice Prospect was an advanced exploration project which when acquired, exhibited exceptionally high grades of base and precious metals and is located approximately 12 km North West of the Veovča Deposit. The company has released dozens of drill holes which demonstrate the lateral extent, and continuous nature of high-grade mineralisation at Rupice, which has enabled it to define a maiden Mineral resource estimate outlined in table 1.

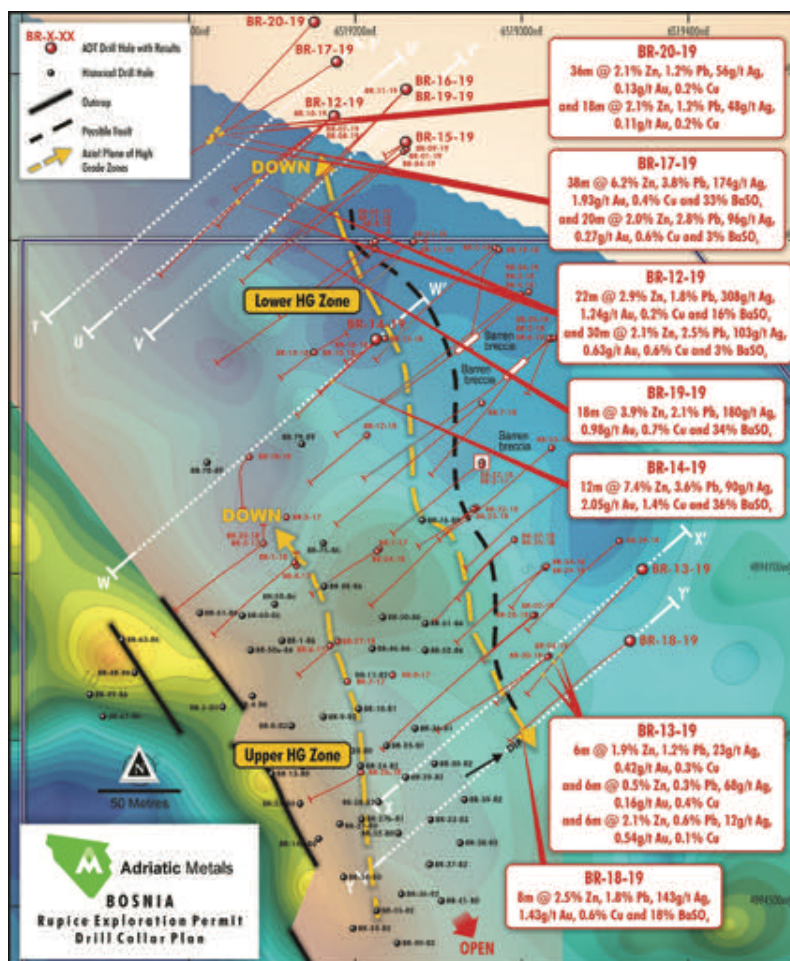


FIGURE 1 – PLAN MAP OF RUPICE INTERCEPTS

TABLE 1 – RUPICE MAIDEN MINERAL RESOURCE ESTIMATE (JORC 2012) – JULY 2019

### RUPICE MINERAL RESOURCES, JULY 2019

JORC CLASSIFICATION	TONNES MT	GRADES						CONTAINED METAL					
		Au g/t	Ag g/t	Zn %	Pb %	BaSO <sub>4</sub> %	Cu %	Au oz	Ag oz	Zn Kt	Pb Kt	BaSO <sub>4</sub> Kt	Cu Kt
Indicated	7.5	2.0	207	5.7	3.7	34	0.6	470	50	430	278	2,590	46
Inferred	1.9	0.9	86	2.4	1.6	18	0.3	60	5	50	30	330	6
<b>Total</b>	<b>9.4</b>	<b>1.8</b>	<b>183</b>	<b>5.1</b>	<b>3.3</b>	<b>31</b>	<b>0.6</b>	<b>530</b>	<b>55</b>	<b>480</b>	<b>310</b>	<b>2,920</b>	<b>52</b>

#### Notes:

1. Mineral Resources are based on JORC Code definitions.
2. A cut-off grade of 0.6% zinc equivalent has been applied.
3. ZnEq – Zinc equivalent was calculated using conversion factors of 0.80 for lead, 0.08 for BaSO<sub>4</sub>, 1.80 for Au, 0.019 for Ag and 2.40 for Cu, and recoveries of 90% for all elements. Metal prices used were US\$2,500/t for Zn, US\$2,000/t for Pb, \$200/t for BaSO<sub>4</sub>, \$1,400/oz for Au, \$15/oz for Ag and \$6,000 for Cu.
4. The applied formula was:  $ZnEq = Zn\% * 90\% + 0.8 * Pb\% * 90\% + 0.08 * BaSO_4\% * 90\% + 1.8 * Au(g/t) * 90\% + 0.019 * Ag(g/t) * 90\% + Cu\% * 2.4 * 90\%$ .
5. 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.
6. Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent test work results.
7. A bulk density was calculated for each model cell using regression formula  $BD = 2.88143 + BaSO_4 * 0.01555 + Pb * 0.02856 + Zn * 0.02012 + Cu * 0.07874$  for the barite high-grade domain and  $BD = 2.76782 + BaSO_4 * 0.01779 + Pb * 0.03705 + Zn * 0.02167 + Cu * 0.07119$  for the barite low-grade domain (the barite domains were interpreted using 30% BaSO<sub>4</sub>).
8. Rows and columns may not add up exactly due to rounding.

# STRATEGIC REPORT CHIEF EXECUTIVE OFFICER'S REVIEW

“The company has released dozens of drill holes which demonstrate the lateral extent, and continuous nature of high-grade mineralisation at Rupice.”

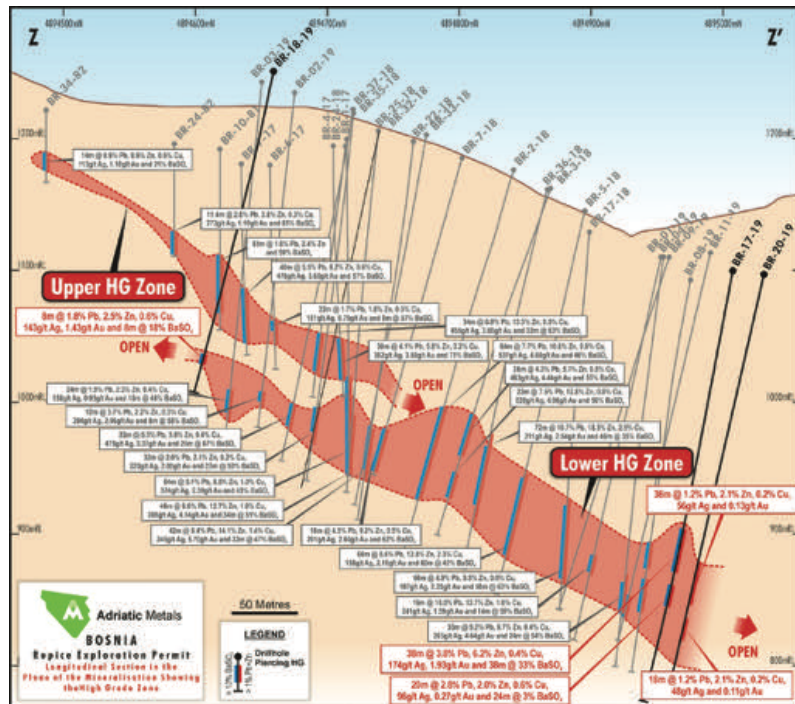


FIGURE 2 – LONG SECTION OF RUPICE INTERCEPTS

TABLE 2 – SIGNIFICANT INTERCEPTS TO DATE AT RUPICE

HOLE #	FROM m	TO m	INTERVAL m	Au g/t	Ag g/t	Zn %	Cu %	Pb %	BaSO <sub>4</sub> %
BR-01-17	178	242	64	2.3	396	8.4	0.9	5.1	44
BR-02-18	214	278	64	4.6	537	10.8	0.9	7.7	46
BR-03-18	196	232	36	4.4	463	5.7	0.5	4.3	55
BR-05-18	210	276	66	2.1	158	12.8	2.3	8.6	37
BR-10-18	236	264	28	3.4	271	10.8	0.5	5.9	61
BR-13-18	220	244	24	3.7	167	14.8	0.7	7.7	53
BR-22-18	222	264	42	5.7	245	14.1	1.4	8.4	34
BR-24-18	146	180	34	3.0	455	13.3	0.5	6.8	60
BR-25-18	218	264	46	4.1	309	12.7	1.0	9.6	40
BR-32-18	228	248	20	4.1	479	8.2	0.5	5.6	60
BR-36-18	206	278	72	2.5	211	18.3	2.5	10.7	25
BR-01-19	240	256	16	1.59	241	13.7	1.0	10	52
BR-04-19	246	276	30	4.6	265	9.7	0.4	5.2	43

## EXPLORATION PROGRAMME & ASSETS – CONTINUED

**(ii) Veovača Deposit** - is an historic open cut zinc, lead, barite and silver mine which operated between 1983 and 1987 and ultimately shut down prior to emerging hostilities in the region. Following a 1,381 metre diamond drilling programme at Veovača in 2017 to confirm historical results, the company completed a further 2,341m program in 2018 and 2019 to define an updated mineral resources estimate outlined in table 3.

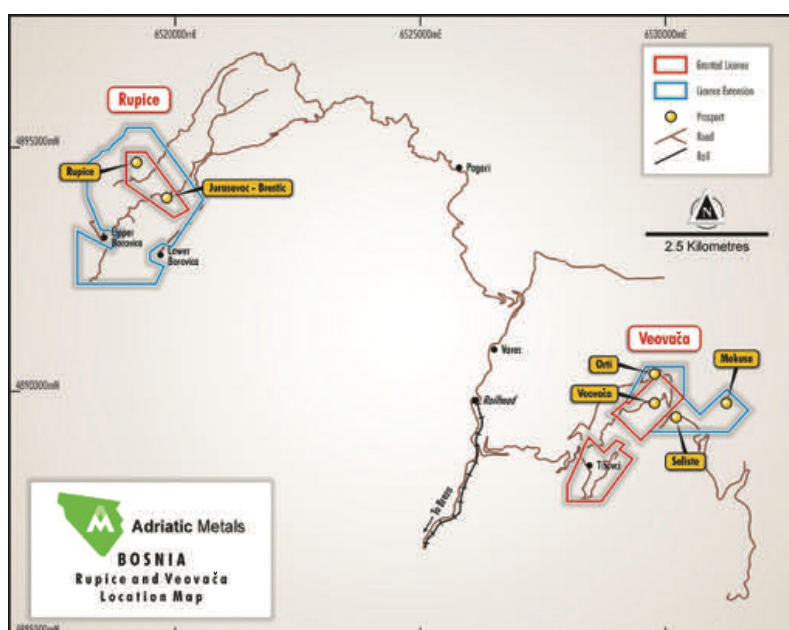
This represents a significant increase in mineral resources at Veovača and provides a solid base for future scoping and mine studies, currently being prepared by the Company.

**(iii) Approval received for Expanded Concession area** – in August 2018, the Vareš Municipal Council approved Adriatic's application for a major land expansion to its existing Concession Agreement at its 100% owned Vareš Projects that comprise Rupice and Veovača. Under the terms of the Concession Agreement, the Company has three Fields, being Veovača I & II and Rupice-Jurasavec Brestic, as outlined in red in Figure 3 (right). The extension areas include land where the Company has identified strong exploration potential and where additional drilling has identified extensions to the known mineralisation or where historical or recent data indicates the potential for new discoveries. The expanded Concession area includes land immediately to the north of hole BR-5-18, which intercepted 66m of high-grade mineralisation, and subsequent drilling has identified extensions to the Rupice mineralisation into the Expanded Concession as described above. In January 2019 the Federal Ministry of Mines, Energy & Infrastructure, approved the company's request for a new Exploration Permit over the Expanded Concession Area.

**TABLE 3 – UPDATED MINERAL RESOURCE ESTIMATE VEOVAČA (JORC 2012)**

JORC CLASSIFICATION	TONNES MT	Au	Ag	Zn	Pb	BaSO <sub>4</sub>
		g/t	g/t	%	%	%
Indicated	5.3	0.08	50	1.6	1.0	16
Inferred	2.1	0.06	17	1.1	0.5	6
<b>Total</b>	<b>7.4</b>	<b>0.08</b>	<b>41</b>	<b>1.4</b>	<b>0.9</b>	<b>13</b>

**FIGURE 3 – MAP SHOWING ADRIATIC'S EXISTING (RED) AND NEW CONCESSION AREAS (BLUE)**



# STRATEGIC REPORT CHIEF EXECUTIVE OFFICER'S REVIEW

## EXPLORATION PROGRAMME & ASSETS – CONTINUED

### (iv) Permitting Milestone –

Adriatic recently confirmed that the Federal Ministry of Mining within the Federation of Bosnia & Herzegovina has provided written acknowledgment of the completion of the Reserves Elaborat for the Rupice deposit complimenting the previous approval received for the Veovača Deposit, and representing a major milestone toward the issue of the Exploitation Permit. Under the terms of the Concession Agreement, the Company is required to complete the conditions for an Exploitation Permit by May 2020, which will then provide the company with licence tenure until 2038 and can be further extended at the election of the Company for a period of 10 years. Following the issue of the Exploitation Permit, Adriatic will prepare and submit a Main Mining Plan (Feasibility Study) and apply for a Water Management Permit, which once accepted, will result in an Operations Permit being granted.

### (v) Scoping and Economic

**Studies** – Adriatic is in the process of preparing a JORC compliant Scoping Study on the Vareš project. Significant Metallurgical, Geo-Technical, Hydro-Geological and Concentrate marketing work has been conducted to support the Study, and the results are expected to be released in the fourth quarter of 2019.

## RESULT FOR FY19

As the company is in pre-production there is no forecast earnings nor expectation for profits and the Company will continue to invest in its exploration assets and incur losses in the near to medium term. The Loss after tax for the period was £2,417,653; FY18 (£1,928,697) and comprised one off costs for the 2019 year including share option costs for £456,617 as per note 17 in the Group Consolidated Financial Statements to 30 June 2019.

## CAPITAL RAISING

During the year, Adriatic successfully completed a A\$10.8 million capital raising from select institutions, and Sandfire Resources NL who exercised their Anti-Dilution Right as described in the Strategic Collaboration Agreement between Adriatic and Sandfire Resources.



**Paul Cronin**  
MANAGING DIRECTOR & CEO

## TENEMENT PORTFOLIO TABLE

CONCESSION NUMBER	LICENCE AREAS (HA)			RUPICE EXPLORATION RIGHTS EXPIRY		VEOVAČA EXPLOITATION RIGHTS	
	VEOVAČA I	VEOVAČA II	RUPICE	DURATION (YEARS)	EXPIRY	DURATION (YEARS)	EXPIRY
04-18-21389-1/13	107.69	222.87	535.16	7.5	25 May 2020	25	12 March 2038 <sup>®</sup>

(i) Tenure exploitation rights approved by Federal Ministry of Mining within the Federation of Bosnia & Herzegovina, subject to completing the conditions for an Exploitation Permit by May 2020, which will then provide the company with license tenure until 2038 and can be further extended at the election of the Company for a period of 10 years.

### COMPETENT PERSONS STATEMENT

The information in this report which relates to Exploration Results is based on information compiled by Mr Robert Annett, who is a member of the Australian Institute of Geoscientists (AIG). Mr Annett 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 Annett consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

### KEY PERFORMANCE INDICATORS

The near term and primary performance indicators for Adriatic are related to its exploration activities and include:

- (i) Efficiently managing the exploration programme and increasing the current mineralised footprint and Increasing Adriatic's current JORC resource base
- (ii) Advancing the permitting status on a pathway towards exploitation
- (iii) Continued exploration on nearby prospects to define further drill targets with the intent of making additional mineral discoveries
- (iv) Progressing the technical study elements for the deposits, culminating in publishing a scoping study and making progress towards future Pre-Feasibility and Feasibility Studies.

### FUTURE PROSPECTS

Adriatic are concluding a Scoping Study based on the recently declared Mineral Resource estimates and the metallurgical testwork programme initiated in Q4 2018. Successful drilling at Rupice has led to continuous growth of that resource and drilling will continue there to further expand the resources, improve the geological understanding of the deposits, and to collect further metallurgical samples and carry out geotechnical and hydrogeotechnical drilling work to support ongoing technical studies. Adriatic will continue to move along the permitting pathway and are aiming to obtain the Veovača Exploitation Permit in Q4 2019.

Metallurgical testwork aimed at optimising currently developed flowsheets and carrying out necessary variability and other work will continue and will support ongoing technical studies leading to development of a Feasibility Study planned for 2020. Further permitting work will progress for Rupice and in parallel with Feasibility Study and other work with the future goal being to initiate project implementation leading ultimately to mining and processing operations.

Simultaneously Adriatic will continue with exploration activities on new targets generated by recent geophysical investigations as well as historical areas of mining activity. Expansion of the concession areas to allow investigation of the corridor between Veovača and Rupice is being investigated and ongoing soil sampling of all areas within existing concessions will continue to advance the potential of further areas of known mineralisation.

# STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy expose it to a number of risks. These risks are reviewed by the Board and Management with appropriate processes put in place to monitor and mitigate the risks.

Key business risks affecting the Group are set out below.

### • **EXPLORATION & DEVELOPMENT**

Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company. There can be no assurance that exploration on the Projects, 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.

### • **FUTURE FUNDING NEEDS**

The funds raised to date are considered sufficient to meet the immediate objectives of the Company. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies.

### • **BOSNIAN IN-COUNTRY RISKS**

The Projects are located in Bosnia and Herzegovina. The Company will be subject to the risks associated with operating in that country, including various levels of political, sovereign, economic and other risks and uncertainties.

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

### • **OPERATIONAL RISKS**

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

- (i) failure to locate or identify mineral deposits;
- (ii) failure to retain and secure key management;
- (iii) failure to achieve predicted grades in exploration and mining; and
- (iv) operational and technical difficulties encountered in metallurgy, processing and mining.

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

### • **ENVIRONMENTAL RISK**

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Bosnia and Herzegovina. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

### • **COMMODITY & CURRENCY EXCHANGE PRICES**

The value of the Company's assets and potential earnings may be affected by fluctuations in commodity prices and exchange rates, such as the USD and GBP denominated zinc price and the GBP / USD exchange rate.



**Peter Bilbe**  
CHAIRMAN

# REPORT OF THE DIRECTORS

## DIRECTORS AND KEY MANAGEMENT

**PETER BILBE**, B. ENG (MINING) (HONS)

### *Non-Executive Chairman*

Mr Bilbe is a mining engineer with 40 years Australian and international mining experience in gold, base metals and iron ore at the operational, CEO and board levels. Mr Bilbe is currently Non-Executive Chairman of Independence Group NL and since 2009 has overseen the growth of Independence from operating a single mine to a AUD\$3 billion diversified gold and base metals mining and exploration company. Mr Bilbe is also Non-Executive Chairman of Horizon Minerals Limited, an emerging gold developer.

Peter Bilbe was appointed as the Non-Executive Chairman of the Company on 16 February 2018 and serves as Chair of the Remuneration Committee.

**JULIAN BARNES**, BSC (HONS)

### *Non-Executive Director*

Dr 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 Balkan mining & development.

He 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 a Non-Executive Director of Thor Explorations Ltd, a company listed on the Toronto Stock Exchange (Venture Exchange) and Zinc Of Ireland, a company listed on the Australia Stock Exchange.

Julian Barnes was appointed as a Director of the Company on 16 February 2018 and serves as a member of the Audit Committee.

**PAUL CRONIN**, B. COM & MBA

### *Managing Director & CEO*

Mr Cronin is a unique 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 capitalisation. Prior to Anatolia, Paul was Vice President at the highly-regarded resource fund, RMB Resources where he originated, structured and managed several debt and equity investments on behalf of the fund. Paul is currently CEO of ASX listed Black Dragon Gold, and Non-Executive Director of Global Atomic Corporation.

Paul Cronin was appointed as a Director of the Company on 3 February 2017 and on 18 September 2019, Paul Cronin was appointed as Managing Director and CEO of Adriatic.

**ERIC DE MORI**,

B. MARKETING & DIP. FINANCIAL SERVICES

### *Non-Executive Director*

Mr de Mori has over 15 years' experience in ASX small capital investment and corporate finance, specializing in natural resources, biotechnology and technology. Eric has a broad skill set across ASX listed company corporate finance and has held several director and major shareholder positions with ASX listed technology and resource companies. Eric is the head of natural resources for institutional stockbroker Ashanti Capital and a Non-Executive Director of Invictus Energy Ltd.

Mr de Mori was appointed to the Board on 10 August 2017 and serves as a member of the Audit Committee.

**MILOS BOSNJAKOVIC**

### *Non-Executive Director*

Mr Bosnjakovic is a dual national of Australia and Bosnia Herzegovina and was the co-founder of ASX-listed Balamara Resources Limited. He has significant experience in mineral projects in the region and is a qualified lawyer with extensive experience in the Former Yugoslav Republics, Australia and New Zealand. Mr Bosnjakovic is currently engaged as consultant to Adriatic, responsible for government and regulatory relations, and will remain in that important role.

Mr Bosnjakovic was appointed to the Board of the Company on 16 July 2018 and serves as a member of the Remuneration Committee.

**MICHAEL RAWLINSON**

### *Non-Executive Director*

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, LiberumCapital, a business he helped found in 2007.

Mr Rawlinson was previously served as a Non-Executive Director of Talvivaara Mining Company Plc between April 2012 and November 2013. Mr Rawlinson is currently Senior Independent Non-Executive Director of Hochschild Mining plc and Non-Executive Director at Capital Drilling.

Mr Rawlinson was appointed to the Board of the Company on 4 March 2019 and serves as a member of the Remuneration Committee and Chair of the Audit Committee.

# REPORT OF THE DIRECTORS

## SENIOR MANAGEMENT

### **GRAHAM HILL**

#### *Chief Operating Officer*

Mr Hill is an experienced mining engineer and was previously CEO of Silver Bear resources where he took the company from exploration through to production, overseeing the development of a remote underground mining operation in Siberia. Mr Hill has successfully overseen the evaluation and development phases for multiple mining operations in Africa and central Asia during his 35 year career, which commenced in Anglo American, and where he later was accepted into the company's renowned management development program.

### **ROBERT ANNETT,**

BSC (HONS), ARSM, AIMM, AIG & MIQ

#### *Head of Exploration*

Mr Annett is an experienced geologist with over 40 years' experience across all aspects of exploration, evaluation and mining of precious, base & industrial metals. He is a Competent Person under the JORC Code and is responsible for the day to day management of all exploration works.

Robert Annett was appointed as Head of Exploration on 1 April 2017.

### **SEAN DUFFY,**

MBA, GRAD CERT. IN BUSINESS MARKETING

#### *Chief Financial Officer & Company Secretary (Joint)*

Mr Duffy brings with him more than 20 years of international finance experience in the mining industry, including key positions with BHP Billiton and other AIM/ASX listed companies. Sean Duffy was appointed as Chief Financial Officer and Company Secretary on 17 November 2017.

### **GABRIEL CHIAPPINI**

#### *Company Secretary (Joint)*

Mr. Chiappini is an experienced ASX director and has been active in the capital markets for 17 years. He has assisted in raising \$AUD450m and has provided investment and divestment guidance to a number of companies and has been involved with 10 ASX IPO's in the last 12 years. He is a member of the AICD and CA ANZ. Mr. Chiappini is a director of Black Rock Mining and Eneabba Gas Limited.

### **ADNAN TELETOVIC, B. ENG (HONS.)**

#### *General Manager, Eastern Mining d.o.o.*

Dr. Teletovic is a dual Bosnian-Australian national with extensive experience in the mining industry having previously held senior positions at Kalgoorlie Consolidated Gold Mines, BHP Billiton and the Prevent Group, one of Bosnia's largest diversified industrial corporations. Adnan has a Bachelor of Engineering (Hons.) from Victoria University of Technology, a PhD from Deakin University and has significant experience in not only general management but also a track record in managing large capital mining projects in the Australian mining industry.

## DIRECTORS REPORT

The Directors present their annual report with the statutory financial statements of the Group for the year ended 30 June 2019.

This report should be read in conjunction with the Strategic Report on pages 2 to 10.

### 1. BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

The names of the Directors who held office during the financial year and to the date of this report were:

DIRECTOR NAME	POSITION	APPOINTED
Peter Bilbe	Non-Executive Chairman	16 February 2018
Paul Cronin	Managing Director & CEO	3 February 2017
Julian Barnes	Non-Executive Director	16 February 2018
Eric de Mori	Non-Executive Director	10 August 2017
Milos Bosnjakovic	Non-Executive Director	16 July 2018
Michael Rawlinson	Non-Executive Director	4 March 2019

The company secretary is Sean Duffy and Gabriel Chiappini (joint).

### 2. RESULTS

The Group realised a loss after tax for the year of £2,417,653 (2018 loss of £1,928,697).

### 3. GOING CONCERN

The Group incurred a loss of £2,417,653 (30 June 2018: £1,928,697) in the period however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans and the continued support of investors

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.

### 4. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: \$nil).

### 5. DIRECTORS' INDEMNITY INSURANCE

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

### 6. AUDITOR

Lubbock Fine Chartered Accountants have been appointed as auditors of Adriatic Metals plc and at the Company's 2<sup>nd</sup> Annual General Meeting Lubbock Fine Chartered Accountants will be proposed for re-appointment.

### 7. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's financial risk management objectives and policies and exposures to risk are outlined in Note 23 to the financial statements.

# REPORT OF THE DIRECTORS

## DIRECTORS REPORT *(CONTINUED)*

### 8. ROUNDING OF AMOUNTS AND PRESENTATIONAL CURRENCY

Unless otherwise expressly stated, the Group financial statements are presented in British Pounds (“£”) which is the Group’s presentational currency.

On behalf of the Board



**Peter Bilbe**  
CHAIRMAN

25 September 2019

## CORPORATE GOVERNANCE REPORT

The Board of Directors of Adriatic is responsible for establishing the corporate governance framework of the group having regard to the ASX Corporate Governance Council published guidelines. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has adopted a corporate governance framework, based upon ASX Corporate Governance Principles, which it considers to be suitable given the size, history and strategy of the Company.

The Company’s Corporate Governance Statement has been approved by the Board and can be located on the Company’s website at <https://www.adriaticmetals.com/downloads/corp-governance-files-/corporate-governance-manual-adriatic-metals-plc-3-march-2018.pdf>

## REMUNERATION POLICY FOR EXECUTIVES AND MANAGEMENT

During 2018 the company established a Remuneration Committee comprising of Non Executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Chief Executive Officer and/or Managing Director. The broad policy is to ensure that remuneration properly reflects the individuals’ duties and responsibilities and that remuneration is fair and competitive in attracting, retaining and motivating quality people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group’s financial circumstances and performance.

As part of its suite of corporate governance policies and procedures, the Board has adopted a formal Remuneration and Nomination Committee Charter and Remuneration Policy.

The Committee and Board have established the following parameters as part of the remuneration framework for executives:

The Directors have responsibility for the appointment and performance assessment of the Chief Executive Officer and Chief Financial Officer, Company Secretary, other senior executives and terms and conditions including remuneration and approving the Company’s remuneration and rewards framework. When considering the remuneration policy for the Company’s Executives and Management the Board will consider performance and achievement in line with the Company’s objectives and to ensure the interests of shareholders and stakeholders are enhanced. The Board will perform an annual review to ensure a strong link between performance and reward is made and will form part of the annual remuneration review.

## SHARE OPTIONS

The Company has adopted a company share option plan (Plan). The Plan forms what the Board considers to be an important element of the Company’s total remuneration strategy for its officers and staff.

## REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The Directors have responsibility to review, monitor and make recommendations to the Board regarding the orientation and education of directors which includes an annual review of the directors' compensation programme.

The Company Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of AUD\$400,000 per annum by the Directors. The remuneration of the Non- Executive Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

## DIRECTORS' REMUNERATION (AUDITED)

The Company paid the following remuneration to each Director:

2019	SALARY/FEE £	LONG TERM BENEFIT £	TOTAL £
Paul Cronin	30,000	-	30,000
Eric de Mori	29,854	-	29,854
Peter Bilbe	49,850	-	49,850
Julian Barnes	30,225	-	30,225
Milos Bosnjakovic	10,000	-	10,000
Michael Rawlinson	9,762	-	9,762
<b>TOTAL</b>	<b>159,691</b>	<b>-</b>	<b>159,691</b>

The annual Directors fees payable by the Company is as follows:

	SALARY/FEE £	
Paul Cronin	30,000	
Eric de Mori	30,000	(AU\$54,000) equivalent
Peter Bilbe	50,000	(AU\$90,000) equivalent
Julian Barnes	30,000	
Milos Bosnjakovic	30,000	
Michael Rawlinson	30,000	
<b>TOTAL</b>	<b>200,000</b>	

# REPORT OF THE DIRECTORS

## DIRECTORS' REMUNERATION (AUDITED) (CONTINUED)

### RELATED PARTY NOTE – DIRECTOR ADVISOR FEES

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

The following amounts were incurred with respect to the Company's Directors, Chief Executive Officer and Chief Financial Officer of the Company;

	30 JUNE 2019 £	30 JUNE 2018 £
Chief Executive Officer	<b>172,917</b>	76,000
Chief Operating Officer	<b>32,250</b>	-
Chief Finance Officer	<b>55,002</b>	29,725
Company Secretary - Joint	<b>21,529</b>	-
Directors Fees	<b>172,191</b>	41,239
Advisory Fees - Directors	<b>134,500</b>	195,400
<b>Total</b>	<b>588,389</b>	342,364

Swellcap is a related party of the Company as it is controlled by Paul Cronin, a Director of the Company. The Company has engaged Swellcap to provide the Company with corporate office facilities and services from 1 April 2018 at £5,000 per month. This fee was increased to £6,000 per month from 1 May 2019 and the total fees to 30 June 2019 were £67,000.

Milos Bosnjakovic, a Director of the Company, has a consultancy agreement with the Company for his Head of Government Affairs role for £5,000 per month in addition to his Directors Fees. The total fees to 30 June 2019 were £67,500.

### DIRECTOR'S SHARE OPTIONS

In addition to the fees above, the Company has issued the following options to Directors.

NAME OF DIRECTOR NON-EXECUTIVE	OPTIONS GRANTED	TOTAL OPTIONS VESTED AS AT 1 JULY 2018	OPTIONS VESTING IN THE YEAR	OPTIONS LAPSING IN THE YEAR	TOTAL OPTIONS VESTED AS AT 30 JUNE 2019	EXERCISE PRICE	EARLIEST DATE OF EXERCISE (ESCROW DATE)	DATE OF EXPIRY
Peter Bilbe	1,500,000	1,500,000	1/4/2019	-	<b>1,500,000</b>	AUD \$0.30	1/5/2020	1/7/2021
Paul Cronin	5,000,000	5,000,000	1/4/2019	-	<b>5,000,000</b>	AUD \$0.20	1/5/2020	1/7/2023
Eric de Mori	4,000,000	4,000,000	1/4/2019	-	<b>4,000,000</b>	AUD \$0.20	1/5/2020	1/7/2023
Julian Barnes	1,000,000	1,000,000	1/4/2019	-	<b>1,000,000</b>	AUD \$0.30	1/5/2020	1/7/2021
Milos Bosnjakovic	1,000,000	1,000,000	1/4/2019	-	<b>1,000,000</b>	AUD \$0.40	1/5/2020	1/7/2021

Michael Rawlinson was appointed to the Board of Directors on March 4, 2019 and included and award of 1M share options with a 3 year term and exercise price of A\$1.00, subject to shareholder approval.

### DIRECTORS' INTERESTS

The Directors' interests in shares and other securities in Adriatic plc are set out below:

NON-EXECUTIVE DIRECTOR	NUMBER OF ORDINARY SHARES (CDI'S) 30 JUNE 2019	NUMBER OF OPTIONS 30 JUNE 2019
Peter Bilbe	<b>250,000</b>	<b>1,500,000</b>
Paul Cronin	<b>16,851,332</b>	<b>5,000,000</b>
Eric de Mori	<b>11,054,000</b>	<b>4,000,000</b>
Julian Barnes	-	<b>1,000,000</b>
Milos Bosnjakovic	<b>16,000,000</b>	<b>1,000,000</b>
Michael Rawlinson	<b>40,000</b>	-

## DIRECTORS RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable UK Company law. 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 Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



**Peter Bilbe**  
CHAIRMAN

25 September 2019

YEAR ENDED 30 JUNE 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTE	YEAR ENDED 30 JUN 2019 £	YEAR ENDED 30 JUN 2018 £
Administrative expenses	5	<b>(2,163,209)</b>	(2,170,921)
<b>OPERATING LOSS</b>		<b>(2,163,209)</b>	(2,170,921)
Finance costs	8	<b>(254,444)</b>	(242,224)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(2,417,653)</b>	(1,928,697)
Tax	9	-	-
<b>LOSS FROM CONTINUING OPERATIONS</b>		<b>(2,417,653)</b>	(1,928,697)
Other comprehensive income	10	<b>42,875</b>	5,965
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(2,374,778)</b>	(1,922,732)
<b>Earnings per share expressed in pence per share:</b>	16		
Basic		<b>(1.69)</b>	(2.27)
Diluted		<b>(1.49)</b>	(2.10)

All the activities of the Group are classed as continuing.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own statement of profit or loss.

*The notes on pages 24 to 47 form part of these financial statements.*

AS AT 30 JUNE 2019

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2019 £	30 JUN 2018 £
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	<b>3,971,210</b>	1,034,235
Tangible assets	11	<b>721,128</b>	626,308
		<b>4,692,338</b>	1,660,543
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	<b>361,724</b>	147,711
Cash and cash equivalents	14	<b>5,369,759</b>	4,644,389
		<b>5,731,483</b>	4,792,100
<b>TOTAL ASSETS</b>		<b>10,423,821</b>	6,452,643
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	16	<b>2,013,701</b>	1,733,042
Share premium		<b>11,084,777</b>	5,515,049
Other capital reserves	18	<b>1,714,826</b>	1,282,365
Other reserves	18	<b>74,242</b>	31,367
Retained deficit	18	<b>(4,638,657)</b>	(2,221,004)
<b>TOTAL EQUITY</b>		<b>10,248,889</b>	6,340,819
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>174,932</b>	111,824
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,423,821</b>	6,452,643

The notes on pages 24 to 47 form part of these financial statements.

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



**Mr P Cronin**  
DIRECTOR

Date: 25 September 2019

Company Registration Number: 10599833

AS AT 30 JUNE 2019

# COMPANY STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2019 £	30 JUN 2018 £
<b>NON-CURRENT ASSETS</b>			
Investments	4	<b>4,888,901</b>	1,517,405
Intangible assets	12	<b>734,414</b>	345,761
Tangible assets	11	<b>22,486</b>	26,454
		<b>5,645,801</b>	1,889,620
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	<b>97,246</b>	110,494
Cash and cash equivalents	14	<b>5,100,764</b>	4,572,426
		<b>5,198,010</b>	4,682,920
<b>TOTAL ASSETS</b>		<b>10,843,811</b>	6,572,540
<b>Equity</b>			
Share capital	16	<b>2,013,701</b>	1,733,042
Share premium		<b>11,084,777</b>	5,515,049
Other capital reserves	18	<b>1,714,826</b>	1,282,365
Retained earnings	18	<b>(4,072,190)</b>	(2,023,689)
<b>TOTAL EQUITY</b>		<b>10,741,114</b>	6,506,767
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>102,697</b>	65,773
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,843,811</b>	6,572,540

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



**Mr P Cronin**  
DIRECTOR

Date: 25 September 2019

Company Registration Number: 10599833

*The notes on pages 24 to 47 form part of these financial statements.*

YEAR ENDED 30 JUNE 2019

# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

<b>GROUP</b>	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	<b>TOTAL</b>
	£	£	£	£	£	£
<b>As at 1 July 2017</b>	856,323	406,183	-	(292,307)	25,402	<b>995,601</b>
Loss for the period	-	-	-	(1,928,697)	-	<b>(1,928,697)</b>
Issue of share capital	876,719	5,108,866	-	-	-	<b>5,985,585</b>
Issue of options	-	-	1,282,365	-	-	<b>1,282,365</b>
Other comprehensive income	-	-	-	-	5,965	<b>5,965</b>
<b>As at 30 June 2018</b>	1,733,042	5,515,049	1,282,365	(2,221,004)	31,367	<b>6,340,819</b>
Loss for the period	-	-	-	(2,417,653)	-	<b>(2,417,653)</b>
Issue of share capital	276,684	5,484,230	-	-	-	<b>5,760,914</b>
Exercise of options	3,975	85,498	(24,156)	-	-	<b>65,317</b>
Issue of options	-	-	456,617	-	-	<b>456,617</b>
Other comprehensive income	-	-	-	-	42,875	<b>42,875</b>
<b>As at 30 June 2019</b>	2,013,701	11,084,777	1,714,826	(4,638,657)	74,242	<b>10,248,889</b>

<b>COMPANY</b>	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	<b>TOTAL</b>
	£	£	£	£	£	£
<b>As at 1 July 2017</b>	856,323	406,183	-	7,982	-	<b>1,270,488</b>
Loss for the period	-	-	-	(2,031,671)	-	<b>(2,031,671)</b>
Issue of share capital	876,719	5,108,866	-	-	-	<b>5,985,585</b>
Issue of options	-	-	1,282,365	-	-	<b>1,282,365</b>
Other comprehensive income	-	-	-	-	-	<b>-</b>
<b>As at 30 June 2018</b>	1,733,042	5,515,049	1,282,365	(2,023,689)	-	<b>6,506,767</b>
Loss for the period	-	-	-	(2,048,501)	-	<b>(2,048,501)</b>
Issue of share capital	276,684	5,484,230	-	-	-	<b>5,760,914</b>
Exercise of options	3,975	85,498	(24,156)	-	-	<b>65,317</b>
Issue of options	-	-	456,617	-	-	<b>456,617</b>
Other comprehensive income	-	-	-	-	-	<b>-</b>
<b>As at 30 June 2019</b>	2,013,701	11,084,777	1,714,826	(4,072,190)	-	<b>10,741,114</b>

YEAR ENDED 30 JUNE 2019

# CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 £	2018 £
<b>Loss</b>	<b>(2,417,653)</b>	(1,928,697)
Foreign exchange difference on consolidation	<b>42,875</b>	5,965
Depreciation and amortisation	<b>88,674</b>	8,910
Share based payments	<b>432,461</b>	1,161,408
Other non-cash movements	-	(4,885)
<b>Working capital adjustments:</b>		
Increase in trade and other receivables	<b>(214,013)</b>	(130,023)
Decrease in inventories	-	22
Increase/(Decrease) in trade and other payables	<b>63,108</b>	(89,548)
<b>Net cash flows used in operating activities</b>	<b>(2,004,548)</b>	(976,848)
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(105,998)</b>	(40,296)
Purchase of intangible assets	<b>(3,014,471)</b>	(756,479)
<b>Net cash flows used in investing activities</b>	<b>(3,120,469)</b>	(796,775)
<b>Financing activities</b>		
Issue of share capital (net of fees)	<b>5,850,387</b>	6,106,542
<b>Net cash flows generated from financing activities</b>	<b>5,850,387</b>	6,106,542
<b>Net increase in cash and cash equivalents</b>	<b>725,370</b>	4,332,919
Cash and cash equivalents at 30 June 2018	<b>4,644,389</b>	311,470
<b>Cash and cash equivalents at 30 June 2019</b>	<b>5,369,759</b>	4,644,389

The notes on pages 24 to 47 form part of these financial statements.

YEAR ENDED 30 JUNE 2019

# COMPANY STATEMENT OF CASH FLOWS

	2019 £	2018 £
<b>(Loss)/profit</b>	<b>(2,048,501)</b>	(2,031,671)
Depreciation and amortisation	<b>3,968</b>	-
Share based payments	<b>432,461</b>	1,161,408
<b>Working capital adjustments:</b>		
Decrease/(increase) in trade and other receivables	<b>13,248</b>	164,506
Increase/(Decrease) in trade and other payables	<b>36,924</b>	(122,886)
<b>Net cash flows used in operating activities</b>	<b>(1,561,900)</b>	(828,643)
<b>Investing activities</b>		
Purchase of property, plant and equipment	-	(26,094)
Purchase of intangible assets	<b>(388,653)</b>	(272,349)
Investment in subsidiary undertaking	<b>(3,371,496)</b>	(633,860)
<b>Net cash flows used in investing activities</b>	<b>(3,760,149)</b>	(932,303)
<b>Financing activities</b>		
Issue of share capital	<b>5,850,387</b>	6,106,542
<b>Net cash flows generated from financing activities</b>	<b>5,850,387</b>	6,106,542
<b>Net increase in cash and cash equivalents</b>	<b>528,338</b>	4,345,596
Cash and cash equivalents at 30 June 2018	<b>4,572,426</b>	226,830
<b>Cash and cash equivalents at 30 June 2019</b>	<b>5,100,764</b>	4,572,426

*The notes on pages 24 to 47 form part of these financial statements*

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The consolidated financial statements present the financial information of Adriatic Metals Plc and its subsidiary (collectively, the Group) for the year ended 30 June 2019. Adriatic Metals Plc (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The registered office is located at Second Floor, Stamford House, Regent Street, Cheltenham, United Kingdom, GL50 1HN.

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

Information on the Group's structure is provided in Note 4.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **BASIS OF PREPARATION**

The consolidated 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 ("IFRSs"), and with the Companies Act 2006.

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

The principal accounting policies adopted by the Group in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

### **GOING CONCERN**

The Group incurred a loss of £2,417,653 (2018 - £1,928,697) in the year however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans.

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.

### **BUSINESS COMBINATIONS**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in equity of the parent in transactions where the non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings.

### **GOODWILL**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised as the non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FOREIGN CURRENCIES

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates ('the local functional currency').

### TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### 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.

### REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

### TAXES

#### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### TAXES (CONTINUED)

#### Deferred tax (CONTINUED)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

#### Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 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.

#### 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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

#### *Exploration and evaluation expenditure (CONTINUED)*

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.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment transferred from acquisitions are initially measured at the fair value at the date on which control is obtained.

Land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses.

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

- Land & buildings – Not depreciated
- Plant & equipment – 15%
- Office Equipment – 15%
- Vehicles – 15%
- Assets under construction – Not depreciated

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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 – 20%

### FINANCIAL INSTRUMENTS

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI “FVTOCI”, or through profit or loss “FVTPL”); and
- Those to be measured at amortised cost.

The classification depends on the Company’s business model for managing the financial assets and the contractual terms of the cash flows.

On initial recognition, a financial asset is classified as measured: at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; 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.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest method. The amortised cost is reduced by impairment losses if any.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets that are not classified as measured at amortised cost or FVOCI are measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For trade and contract receivables, the Company has applied simplified approach permitted by IFRS 9. Simplified approach is applied to a portfolio of trade receivables that are homogenous in nature and carry similar credit risk. However, simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### **FINANCIAL INSTRUMENTS** *(CONTINUED)*

Receivables are written off when they are deemed uncollectible because of bankruptcy or other forms of receivership of the debtors. The assessment of expected credit losses on receivables takes into account credit-risk concentration, collective debt risk based on average historical losses, specific circumstances such as serious adverse economic conditions in a specific country or region and other forward-looking information.

### **FINANCIAL LIABILITIES**

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics.

Financial liabilities are measured at cost and have not been amortised. These includes trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at cost.

A financial liability (in whole or in part) is derecognised when the company has extinguished its contractual obligations or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

### **TRADE RECEIVABLES**

Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### **TRADE AND OTHER PAYABLES**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### **SHARE-BASED PAYMENTS**

Employees and consultants (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby services are rendered as consideration for equity instruments (equity-settled transactions).

### **EQUITY-SETTLED TRANSACTIONS**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 17.

That cost is recognised in employee benefits expense (Note 5), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **EQUITY-SETTLED TRANSACTIONS (CONTINUED)**

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 16).

### **PROVISIONS AND CONTINGENCIES**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

### **STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2019 are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

### **CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

- a) IFRS 15, 'Revenue from Contracts with Customers' issued in May 2014 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
- Identify the contract with the customer
  - Identify the performance obligations in the contract
  - Determine the transaction price
  - Allocate the transaction price to the performance obligations in the contract
  - Recognise revenue when (or as) the entity satisfies a performance obligation

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

The Company adopted IFRS 15 using the full retrospective method. The effect of initially applying this standard did not have any material impact on the Company's financial statements as of 31 December 2018 and 31 December 2017 as a result of the changes in accounting policies as detailed below).

- b) IFRS 9, 'Financial Instruments' outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instrument: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction to prove whether a relationship will be effective than current requirements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)**

The Company adopted IFRS 9 retrospectively, with the initial application date of 1 January 2018 and adjusting the comparative information for the period beginning 1 January 2017 for any effects in adoption of IFRS 9. The key changes to the Company's accounting policies resulting from the adoption of IFRS 9 as detailed in below) did not result to any restatement of the Company's comparative figures as of 31 December 2017 and did not have any material effect on the Company's financial statements as of 31 December 2018.

The management believes that the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement and presentation in the financial statements.

#### ***Standard that is not yet effective and has not been adopted early by the Company***

The following standard that is applicable to the Company has been published and is mandatory for accounting periods of the Company beginning after 1 January 2018, but which has not been adopted early by the Company:

- IFRS 16, 'Leases' is effective for annual periods beginning on or after 1 January 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting is substantially unchanged from accounting under IAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

The management has started an initial assessment of the potential impact of the above standard on its financial statements. The most significant impact identified is that the Company will recognise new assets and liabilities for its operating leases of office space.

### **USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the following is an area where particular judgement is required:

#### ***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.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

#### Exploration and evaluation expenditure (CONTINUED)

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.

## 3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the Group represent one segment, as they are treated as such when evaluating performance.

## 4. GROUP INFORMATION

	INVESTMENT IN SUBSIDIARY £
Additions	1,517,405
<b>At 30 June 2018</b>	<b>1,517,405</b>
Additions	3,371,496
<b>At 30 June 2019</b>	<b>4,888,901</b>
<b>NET BOOK VALUE</b>	
<b>At 30 June 2019</b>	<b>4,888,901</b>
At 30 June 2018	1,517,405

The consolidated financial statements of the Group include:

NAME	PRINCIPAL ACTIVITIES	ADDRESS OF REGISTERED OFFICE	% EQUITY INTEREST	
			2019	2018
Eastern Mining d.o.o	Mining exploration	Marsala Tita 3/II, 1000 Sarajevo, Bosnia and Herzegovina	<b>100</b>	100

## 5. ADMINISTRATIVE EXPENSES

	NOTE	2019 £	2018 £
Wages and salaries		<b>233,896</b>	173,850
Employee benefit expense – share options	17	<b>456,616</b>	1,121,275
Consultancy fees		<b>591,651</b>	531,954
Depreciation	11	<b>11,646</b>	4,632
Amortisation	12	<b>77,496</b>	5,321
Other costs		<b>791,904</b>	210,883
IPO Costs		-	123,006
		<b>2,163,209</b>	2,170,921

## 6. EMPLOYEES

The average monthly number of employees during the year was as follows:

	2019	2018
<b>Eastern Mining d.o.o.</b>		
Administrative staff - Eastern Mining	<b>5</b>	4
Exploration staff - Eastern Mining	<b>16</b>	10
	<b>21</b>	14

	2019	2018
<b>Adriatic Metals Plc</b>		
Directors	<b>5</b>	3
Administrative and Management	<b>4</b>	2
	<b>9</b>	5

## 7. AUDITORS REMUNERATION

	2019 £	2018 £
Auditor's remuneration – fees payable to the Group's auditor for the audit of the group's annual accounts.	<b>25,000</b>	12,500
Auditor's remuneration – fees payable to the auditor for the audit of accounts of subsidiaries of the company	<b>3,605</b>	3,625
	<b>28,605</b>	16,125

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8. FINANCE COSTS

	2019 £	2018 £
Foreign currency movements	<b>(291,949)</b>	(242,224)
Interest receivable	<b>37,505</b>	-
	<b>(254,444)</b>	(242,224)

## 9. INCOME TAX

No liability to corporation tax arose on ordinary activities for the year ended 30 June 2019 or 30 June 2018.

### RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

	2019 £	2018 £
Loss before tax	<b>(2,417,653)</b>	(1,928,697)
Loss multiplied by the standard rate of corporation tax in the UK 19%	<b>(459,354)</b>	(366,452)
Effects of: Losses carried forward	<b>459,354</b>	366,452
Total tax charge	-	-

### FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

A deferred tax asset of £78,100 (2018 - £70,000) at the year end has not been recognised due to uncertainty surrounding the Group's future taxable profits.

The UK corporation tax rate will be reduced to 17%, effective 1 April 2020. The effects of this change has been reflected in the financial statements.

## 10. OTHER COMPREHENSIVE INCOME

	2019 £	2018 £
Foreign exchange differences on consolidation	<b>42,875</b>	5,965

## 11. TANGIBLE ASSETS

### GROUP

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
<b>COST</b>				
At 1 July 2017	562,362	19,055	4,693	<b>586,110</b>
Additions	-	40,205	91	<b>40,296</b>
Disposals	-	-	-	<b>-</b>
Foreign exchange differences	3,758	125	32	<b>3,915</b>
<b>At 30 June 2018</b>	<b>566,120</b>	<b>59,385</b>	<b>4,816</b>	<b>630,321</b>
Additions	58,663	41,140	-	<b>99,803</b>
Disposals	-	4,816	(4,816)	<b>-</b>
Foreign exchange differences	6,195	-	-	<b>6,195</b>
<b>At 30 June 2019</b>	<b>630,978</b>	<b>105,341</b>	<b>-</b>	<b>736,319</b>
<b>DEPRECIATION</b>				
At 1 July 2017	-	424	-	<b>424</b>
Charge for the year	-	3,589	-	<b>3,589</b>
<b>At 30 June 2018</b>	<b>-</b>	<b>4,013</b>	<b>-</b>	<b>4,013</b>
Charge for the year	-	11,178	-	<b>11,178</b>
On disposals	-	-	-	<b>-</b>
<b>At 30 June 2019</b>	<b>-</b>	<b>15,191</b>	<b>-</b>	<b>15,191</b>
<b>NET BOOK VALUE</b>				
<b>At 30 June 2019</b>	<b>630,978</b>	<b>90,150</b>	<b>-</b>	<b>721,128</b>
At 30 June 2018	566,120	55,372	4,816	<b>626,308</b>

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. TANGIBLE ASSETS (CONTINUED)

### COMPANY

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
<b>COST</b>				
At 1 July 2017	-	360	-	<b>360</b>
Additions	-	26,094	-	<b>26,094</b>
Disposals	-	-	-	-
<b>At 30 June 2018</b>	-	26,454	-	<b>26,454</b>
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 30 June 2019</b>	-	26,454	-	<b>26,454</b>
<b>DEPRECIATION</b>				
At 1 July 2017	-	-	-	-
Charge for the year	-	-	-	-
<b>At 30 June 2018</b>	-	-	-	-
Charge for the year	-	3,968	-	<b>3,968</b>
On disposals	-	-	-	-
<b>At 30 June 2019</b>	-	3,968	-	<b>3,968</b>
<b>NET BOOK VALUE</b>				
<b>At 30 June 2019</b>	-	22,486	-	<b>22,486</b>
At 30 June 2018	-	26,454	-	<b>26,454</b>

## 12. INTANGIBLE ASSETS

### GROUP

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENCES £	TOTAL £
<b>COST</b>			
At 1 July 2017	172,337	111,740	<b>284,077</b>
Additions	756,479	-	<b>756,479</b>
Disposals	-	-	-
Foreign exchange differences	444	526	<b>970</b>
<b>At 30 June 2018</b>	<b>929,260</b>	<b>112,266</b>	<b>1,041,526</b>
Additions	2,600,409	414,062	<b>3,014,471</b>
Disposals	-	-	-
Foreign exchange differences	-	-	-
<b>At 30 June 2019</b>	<b>3,529,669</b>	<b>526,328</b>	<b>4,055,997</b>
<b>AMORTISATION AND IMPAIRMENT</b>			
At 1 July 2017	-	1,970	<b>1,970</b>
Charge for the year	-	5,321	<b>5,321</b>
<b>At 30 June 2018</b>	-	<b>7,291</b>	<b>7,291</b>
Charge for the year	-	77,496	<b>77,496</b>
On disposals	-	-	-
<b>At 30 June 2019</b>	-	<b>84,787</b>	<b>84,787</b>
<b>NET BOOK VALUE</b>			
<b>At 30 June 2019</b>	<b>3,529,669</b>	<b>441,541</b>	<b>3,971,210</b>
At 30 June 2018	929,260	104,975	<b>1,034,235</b>

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. INTANGIBLE ASSETS (CONTINUED)

### COMPANY

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENCES £	TOTAL £
<b>COST</b>			
At 1 July 2017	73,412	-	<b>73,412</b>
Additions	272,349	-	<b>272,349</b>
Disposals	-	-	-
Foreign exchange differences	-	-	-
<b>At 30 June 2018</b>	<b>345,761</b>	<b>-</b>	<b>345,761</b>
Additions	388,653	-	<b>388,653</b>
Disposals	-	-	-
<b>At 30 June 2019</b>	<b>734,414</b>	<b>-</b>	<b>734,414</b>
<b>AMORTISATION AND IMPAIRMENT</b>			
At 1 July 2017	-	-	-
Charge for the year	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
Charge for the year	-	-	-
<b>At 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET BOOK VALUE</b>			
<b>At 30 June 2019</b>	<b>734,414</b>	<b>-</b>	<b>734,414</b>
At 30 June 2018	345,761	-	<b>345,761</b>

## 13. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
VAT	<b>287,514</b>	128,583	<b>78,482</b>	91,730
Other receivables	<b>74,210</b>	19,128	<b>18,764</b>	18,764
	<b>361,724</b>	147,711	<b>97,246</b>	110,494

## 14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Cash at bank	<b>5,366,266</b>	4,640,896	<b>5,097,271</b>	4,568,933
Petty cash	<b>3,493</b>	3,493	<b>3,493</b>	3,493
	<b>5,369,759</b>	4,644,389	<b>5,100,764</b>	4,572,426

## 15. TRADE AND OTHER CURRENT PAYABLES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Trade payables	<b>105,886</b>	46,258	<b>77,760</b>	14,258
Accruals	<b>26,423</b>	51,515	<b>24,937</b>	51,515
Taxes payable	<b>2,546</b>	4,485	-	-
Other payables	<b>40,077</b>	9,566	-	-
	<b>174,932</b>	111,824	<b>102,697</b>	65,773

## 16. SHARE CAPITAL

GROUP AND COMPANY	30 JUN 2019 £	30 JUN 2018 £
<b>Issued and fully paid</b>		
Shares issued	<b>2,013,701</b>	1,733,042

In October 2017, the company issued 3,641,863 shares with a par value of £0.05342

On January 30, 2018 the company performed a share split on a 1:4 basis from the 19,798,899 shares issued to 79,195,596 shares in preparation for a listing on the Australian Stock Exchange ("ASX").

On February 2, 2018 the company issued 1,000,000 shares in lieu of a capital raising fee and issued on the ASX with a listing price of A\$0.20c

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. SHARE CAPITAL (CONTINUED)

On April 27, 2018 the company listed on the ASX and, upon listing, awarded the following shares and options:

### SHARE SUMMARY

	NO. OF SHARES
Total shares at IPO	80,195,596
Shares issued for fees	600,000
CDIs issued on listing	50,000,000
<b>Total Shares</b>	<b>130,795,596</b>

On November 20, 2018 the company made an institutional placement of CDIs on the ASX as follows:

	NO. OF SHARES
Total shares at placement	130,795,596
CDI's issued at placement at 55c AUD share price	19,686,991
<b>Total Shares</b>	<b>150,482,587</b>

From April 11, 2019 to May 1, 2019 options were exercised for shares:

	NO. OF SHARES
Total shares on issue before option exercise	150,482,587
CDI's issued on exercise	300,000
<b>Total Shares at June 30, 2019</b>	<b>150,782,587</b>

### OPTIONS - SEE NOTE 17

Founder options at A\$0.20	9,000,000
Advisor options at A\$0.40	2,000,000
Executive options (various)	7,825,000
<b>Total Options</b>	<b>18,825,000</b>
<b>Fully diluted Share Capital</b>	<b>169,607,587</b>

## 16. SHARE CAPITAL (CONTINUED)

### EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

2019	EARNINGS	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT
	£		PENCE
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(2,417,653)	142,826,588	(1.69)
Effect of dilutive securities	-	19,693,014	-
<b>Diluted EPS</b>			
Adjusted earnings	(2,417,653)	162,519,601	(1.44)
<b>2018</b>			
	EARNINGS	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT
	£		PENCE
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(1,928,697)	84,960,236	(2.27)
Effect of dilutive securities	-	6,678,082	-
<b>Diluted EPS</b>			
Adjusted earnings	(1,928,697)	91,638,318	(2.10)

The weighted average number of shares has been calculated as if the share split occurred at the start date of the comparative period presented so that the earning per share figure is comparable.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. SHARE OPTION SCHEME

During 2018, the Company issued a number of share options, and the details of these are as follows:

<b>EXECUTIVE OPTIONS</b>	30c EXECUTIVE OPTIONS	40c EXECUTIVE OPTIONS	60c EXECUTIVE OPTIONS
Underlying share price (A\$)	0.200	0.200	0.200
Exercise price (A\$)	0.300	0.400	0.600
Valuation date	20 Feb 2018	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2021	1 Jul 2021	1 Jul 2021
Life of the options (years)	3.36	3.36	3.36
Volatility	135%	135%	135%
Risk free rate	2.01%	2.01%	2.01%
Number of options	2,500,000	5,250,000	750,000
Value per option (A\$)	0.150	0.143	0.132
Value per Tranche (A\$)	375,000	607,750	330,000

<b>OTHER OPTIONS</b>	FOUNDER	ADVISOR
Underlying share price (A\$)	0.200	0.200
Exercise price (A\$)	0.200	0.400
Valuation date	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2023	1 Jul 2021
Life of the options (years)	5.36	3.36
Volatility	135%	135%
Risk free rate	2.45%	2.01%
Number of options	9,000,000	2,000,000
Value per option (A\$)	0.178	0.143
Value per Tranche (A\$)	1,602,000	286,000

The share options have been valued, at the grant date, using the Black Scholes model for valuing options, and the inputs included in the modelling of this are shown above.

The key uncertainty in relation to this modelling is the volatility of the underlying share prices. For the purposes of the modelling, this has been determined by assessing volatility of the shares in the 4 months post listing, which represents the only suitable basis for determining the volatility.

During the 2018 year, the founder and advisor options fully vested, and the full value of these options were therefore recognised in the year ended 30 June 2018.

The executive options are recognised over their vesting period, taking into account the number of options which are expected to vest.

## 17. SHARE OPTION SCHEME (CONTINUED)

The impact of share options on the financial statements was as follows:

	GRANT DATE FAIR VALUE £	RECOGNISED IN 2018 £	RECOGNISED IN 2019 £
<b>Executive options</b>			
30c Executive Options	211,243	67,806	<b>143,437</b>
40c Executive Options	422,860	135,733	<b>269,657</b>
60c Executive Options	55,904	12,381	<b>43,523</b>
<b>Other options</b>			
Advisor Options	161,090	161,090	-
Founder Options	905,355	905,355	-
	<b>1,756,452</b>	<b>1,282,365</b>	<b>456,617</b>

All recognised amounts in relation to options were shown within administrative expenses in the year, within the "Employee benefit expense – share options" line in Note 5.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year (excluding share appreciation rights):

	2019		2018	
	NUMBER	WAEP	NUMBER	WAEP
<b>Outstanding at 1 July</b>	<b>19,500,000</b>	<b>\$0.30</b>	-	-
Granted during the year	-		19,500,000	\$0.30
Exercised during the year	<b>(300,000)</b>	<b>\$0.40</b>	-	
Expired during the year	-		-	
<b>Outstanding at 30 June</b>	<b>19,200,000</b>	<b>\$0.30</b>	19,500,000	\$0.30
Exercisable at 30 June	<b>18,200,000</b>		11,000,000	

The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 was 2.5 years (2018: 3.5 years).

The weighted average fair value of options granted during the year was 0c (2018: 16c).

The range of exercise prices for options outstanding at year end was 20c to 60c (2018 20c to 60c).

## 18. RETAINED EARNINGS AND RESERVES

The other reserves of the Company are as follows:

Retained Earnings	Includes all current and prior period retained profits and losses, less dividends paid.
Other Capital Reserve	Used to recognise the value of equity-settled share-based payments. See Note 17.
Other Reserves (Foreign currency translation reserves)	Used to recognise the foreign currency movements on consolidation.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. RELATED PARTIES

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

The following amounts were incurred with respect to the Company's Directors, Chief Executive Officer and Chief Financial Officer of the Company;

	30 JUNE 2019 £	30 JUNE 2018 £
Chief Executive Officer	<b>172,917</b>	76,000
Chief Operating Officer	<b>32,250</b>	-
Chief Finance Officer	<b>55,002</b>	29,725
Company Secretary - Joint	<b>21,529</b>	-
Directors Fees	<b>172,191</b>	41,239
Advisory Fees - Directors	<b>134,500</b>	195,400
<b>Total</b>	<b>588,389</b>	342,364

### ADVISORY FEES – DIRECTORS £134,500

Swellcap is a related party of the Company as it is controlled by Paul Cronin, a Director of the Company. The Company has engaged Swellcap to provide the Company with corporate office facilities and services from 1 April 2018 at £5,000 per month. This fee was increased to £6,000 per month from 1 May 2019 and the total fees to 30 June 2019 were £67,000.

Milos Bosnjakovic, a Director of the Company, has a consultancy agreement with the Company for his Head of Government Affairs role for £5,000 per month in addition to his Director's Fees. The total fees to 30 June 2019 were £67,500.

## 20. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2019, or 2018.

## 21. EVENTS AFTER THE REPORTING DATE

On July 2, 2019 the Company announced a change in substantial holding due to on market trading from Sandfire Resources NL from a holding of 7.65% to 11.13% with 16,776,855 shares held. On August 14, 2019 a further notice of change of interests and substantial holding was announced for 2,551,717 shares taking Sandfire Resources NL to 12.78% with 19,328,572 shares held.

On July 23, 2019 the Company released a Maiden Mineral Resource for Rupice for 9.4Mt at 5.1% Zinc, 3.3% Lead, 183g/t Silver, 1.8g/t Gold, 0.6% Copper and 31% Barium Sulphate in the Indicated and Inferred category and an updated Mineral Resource for Veovača for 7.4Mt at 1.4% Zinc, 0.9% Lead, 41g/t Silver, 0.1g/t Gold and 13% Barium Sulphate in the Indicated and Inferred category.

On September 18, 2019 the Company announced the appointment of Paul Cronin as Managing Director and CEO which included a total of 1.5M performance rights conditional upon set milestones and shareholder approval.

Michael Rawlinson was appointed to the Board of Directors on March 4, 2019 and included an award of 1M share options with a 3 year term and exercise price of A\$1.00, subject to shareholder approval.

Subsequent to 30 June 2019, the Board approved 1M share options with a 3 year term and exercise price of A\$1.25 to the Company's COO, Graham Hill.

## 22. FINANCIAL INSTRUMENTS

### FAIR VALUE

The fair value of the financial assets and financial liabilities of the Group, at each reporting date, approximates to their carrying amount as disclosed in the Consolidated Statement of Financial Position and in the related notes.

The fair value of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying value amounts largely due to the short-term maturities of these instruments. Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2019:

GROUP	2019		2018	
	CARRYING AMOUNT £	FAIR VALUE £	CARRYING AMOUNT £	FAIR VALUE £
<b>Financial assets</b>				
Cash and cash equivalents	<b>5,369,759</b>	<b>5,369,759</b>	4,644,389	4,644,389
Trade and other receivables	<b>361,724</b>	<b>361,724</b>	19,128	19,128
<b>Financial liabilities</b>				
Trade and other payables	<b>174,932</b>	<b>174,932</b>	107,339	107,339
<b>COMPANY</b>				
<b>Financial assets</b>				
Cash and cash equivalents	<b>5,100,764</b>	<b>5,100,764</b>	4,572,426	4,572,426
Trade and other receivables	<b>97,246</b>	<b>97,246</b>	18,764	18,764
<b>Financial liabilities</b>				
Trade and other payables	<b>102,697</b>	<b>102,697</b>	65,773	65,773

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

YEAR ENDED 30 JUNE 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### FINANCIAL RISK FACTORS

The Group is exposed to market risk, foreign currency risk, credit risk and liquidity risk. Within each of the operating subsidiaries, the entities senior management oversees the management of these risks for their operations and periodically identify, measure and manage these risks. These risks are summarised below.

#### MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Given that the company is not yet selling any minerals this is not a risk that affects the company in the current year, however, when the company does begin to trade in minerals it is a risk that will have to be considered given the volatility of mineral prices.

#### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's subsidiary company operating in Bosnian Mark while the Group's presentation currency is that of British Pound. If the rate of the Bosnian Mark were to increase this would have a negative impact on the turnover and profit of the Group.

See the below sensitivity analysis for details of the possible impacts.

#### GROUP FOREIGN CURRENCY SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity to a possible change in the Bosnian Mark exchange rates, with all other variables held constant and the impact on the Group's profit before tax to changes in the fair value of monetary assets and liabilities.

30 JUNE 2019	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
<b>Increase in foreign exchange rate of 10%</b> Bosnian Mark	<b>33,560</b>	<b>(390,466)</b>
<b>Decrease in foreign exchange rate of 10%</b> Bosnian Mark	<b>(41,017)</b>	<b>477,236</b>
30 JUNE 2018	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
<b>Increase in foreign exchange rate of 10%</b> Bosnian Mark	15,155	(120,351)
<b>Decrease in foreign exchange rate of 10%</b> Bosnian Mark	(18,523)	147,096

The movement in profit or loss is a result of a change in the fair value of assets and liabilities denominated in Bosnian Mark where the functional currency of the entity is a currency other than the entity's reporting currency.

The movement in equity arises from changes in foreign currency offsetting the translation of foreign operations' net assets into £.

As can be seen from the above analysis the profit and loss would not be materially affected however equity could be affected with a slight movement in foreign exchange rates.

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

### **GROUP FOREIGN CURRENCY SENSITIVITY ANALYSIS** *(CONTINUED)*

In addition to investments in foreign subsidiaries denominated in Bosnian Marks, at the year-end the Group held financial assets denominated in other currencies, as follows:

30 JUNE 2019	30 JUNE 2019	30 JUNE 2018
Amounts in Euros	<b>€ 268,230</b>	€ 1,827,922
Amounts in Australian Dollars	<b>A\$ 9,236,297</b>	A\$ 4,834,668

A 10% movement in the exchange rates with these currencies would have an impact of 10% of the above on both losses and equity.

### **CREDIT RISK**

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including taxes receivable, foreign exchange transactions and other financial instruments. Management do not consider that the Group has significant exposure to credit risk.

### **LIQUIDITY RISK**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company does not face significant liquidity risks and uncertainties as they are currently in a net asset position.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

# INDEPENDENT AUDITOR'S REPORT

## **ADRIATIC METALS PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS PLC**

#### **OPINION**

We have audited the consolidated financial statements of Adriatic Metals Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

#### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of exploration and evaluation assets and investment in subsidiary company</i></p> <p><i>The Group has capitalised significant costs in respect of its mining exploration activities, in accordance with IFRS 6 'Exploration for Evaluation of Mineral Resources' (IFRS 6), therefore there is a risk of impairment.</i></p> <p><i>The results from the exploration activity are key to ensuring that future commercialisation will be achievable and that there are no indications of impairment, as well as the good standing of the licences in place.</i></p> <p><i>The Company also has a significant investment in its subsidiary, the carrying value of which is linked to the underlying exploration asset. Therefore there is also a risk of impairment of the investments.</i></p>	<p>In accordance with IFRS 6 we reviewed the exploration and evaluation (E&amp;E) assets for indications of impairment.</p> <p>We have reviewed the assets for indications of impairment, considered and discussed the Groups forecasts and impairment reviews and obtained evidence that the licences remain in good standing.</p> <p>Based on the above, no indications of impairment were noted.</p>

## OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- **Overall materiality** - We determine materiality for the consolidated financial statements as a whole to be £210,000. This was based on the key performance indicator, being 2% of gross assets. We believe gross asset values are the most appropriate bench mark due to the minimal income statement activity during the year and existence of key balance sheet items.
- **Performance materiality** - On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the consolidated financial statements should be 55% of materiality, amounting to £115,000.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group and Company, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-valuated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

# INDEPENDENT AUDITOR'S REPORT

## **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in 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 there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. 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.

## **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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 Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group consolidated financial statements 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and 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.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

## USE OF OUR REPORT

This report is made solely to the 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 Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Stephen Banks** (Senior Statutory Auditor)

for and on behalf of

### **Lubbock Fine**

Chartered Accountants & Statutory Auditors

3rd Floor Paternoster House  
65 St Paul's Churchyard  
London  
EC4M 8AB

Date: 25 September 2019

# ASX ADDITIONAL INFORMATION

## SHAREHOLDINGS

The issued capital of the Company as at 6 August 2019 is 150,782,587 fully paid ordinary shares. All issued ordinary shares carry one vote per share and carry the rights to dividends.

## DISTRIBUTION OF ORDINARY SHARES

RANGE	TOTAL HOLDERS	SHARES	% SHARES
1 - 1,000	99	52,158	0.03
1,001 - 5,000	218	648,400	0.43
5,001 - 10,000	125	1,014,336	0.67
10,001 - 100,000	279	9,999,290	6.63
100,001 Over	101	139,068,403	92.23
Rounding			0.01
<b>Total</b>	<b>822</b>	<b>150,782,587</b>	<b>100.00</b>

## UNMARKETABLE PARCELS AS AT 6 AUGUST 2019

	MINIMUM PARCEL SIZE	HOLDERS	SHARES
Minimum \$ 500	1	44	5,988

## TOP 20 SHAREHOLDERS AS AT 6 AUGUST 2019

RANK	NAME	UNITS	% OF UNITS
1.	MR MILOS BOSNJAKOVIC	16,000,000	10.61
2.	SANDFIRE RESOURCES NL	11,505,173	7.63
3.	CITICORP NOMINEES PTY LIMITED	10,936,764	7.25
4.	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	9,148,192	6.07
5.	MR PAUL DAVID CRONIN	8,425,668	5.59
6.	MRS REBECCA CRONIN	8,425,664	5.59
7.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,364,524	5.55
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,329,780	4.86
9.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	6,724,682	4.46
10.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,829,766	3.87
11.	MR CHARLES WAITE MORGAN	5,478,112	3.63
12.	NATIONAL NOMINEES LIMITED	2,685,000	1.78
13.	MR ALBERTO LAVANDEIRA ADAN	2,666,664	1.77
14.	UBS NOMINEES PTY LTD	2,500,000	1.66
15.	ILWELLA PTY LTD	2,318,181	1.54
16.	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	1,655,808	1.10
17.	EQUITY TRUSTEES LIMITED <LOWELL RESOURCES FUND A/C>	1,451,000	0.96
18.	ILWELLA PTY LTD	1,239,000	0.82
19.	DISCOVERY CAPITAL	1,000,000	0.66
20.	GREAT AUSTRALIA CORPORATION PTY LTD	1,000,000	0.66

## SUBSTANTIAL SHAREHOLDERS AS AT 6 AUGUST 2019

As at 6 August 2019 there were four shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act. 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.

NAME	SHARES	% OF ISSUED CAPITAL
Paul Cronin	16,851,332	11.18%
Sandfire Resources NL	16,776,855	11.13%
Milos Bosnjakovic	16,000,000	10.61%
Eric de Mori	11,054,000	7.34%

## VOTING RIGHTS

The Company is incorporated under the legal jurisdiction of England and Wales. To enable companies such as the Company to have their securities cleared and settled electronically through CHESS, Depository Instruments called CHESS Depository 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 Depository 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.

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:

- (i) 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
- (ii) 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
- (iii) 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 the Companies Act 2006 (England and Wales). 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.

[www.adriaticmetals.com](http://www.adriaticmetals.com)



**Adriatic Metals**

PART 2

ADRIATIC METALS PLC CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE  
FINANCIAL YEAR ENDED 30 JUNE 2018

FOR THE  
YEAR ENDED  
30 JUNE 2018

**ANNUAL  
REPORT**  
**ADRIATIC  
METALS  
PLC**



**Adriatic Metals**

## COMPANY DIRECTORY

### **Adriatic Metals plc and Controlled Entities**

Company Registration No. 10599833  
ARBN 624 103 162

### **DIRECTORS**

**Peter Bilbe** (Non-Executive Chairman)

**Paul Cronin** (Non-Executive Director)

**Julian Barnes** (Non-Executive Director)

**Eric de Mori** (Non-Executive Director)

**Milos Bosnjakovic** (Non-Executive Director)

### **COMPANY SECRETARY**

**Sean Duffy**

### **UNITED KINGDOM REGISTERED OFFICE**

Stamford House, Regent Street  
Cheltenham, Gloucestershire GL50 1HN  
England

### **AUSTRALIAN OFFICE**

50 Ord Street  
West Perth WA 6005  
Australia

### **AUDITOR**

#### **Lubbock Fine Chartered Accountants**

65 St Paul's Churchyard  
London EC4M 8AB England

### **STOCK EXCHANGE LISTING**

Australian Securities Exchange  
(Code: ADT)

### **SHARE REGISTRY**

#### **Computershare Investor Services Pty Limited**

Level 11  
172 St Georges Terrace  
Perth WA 6000  
Australia

### **WEBSITE**

[www.adriaticmetals.com](http://www.adriaticmetals.com)

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### **FINANCIAL STATEMENTS**

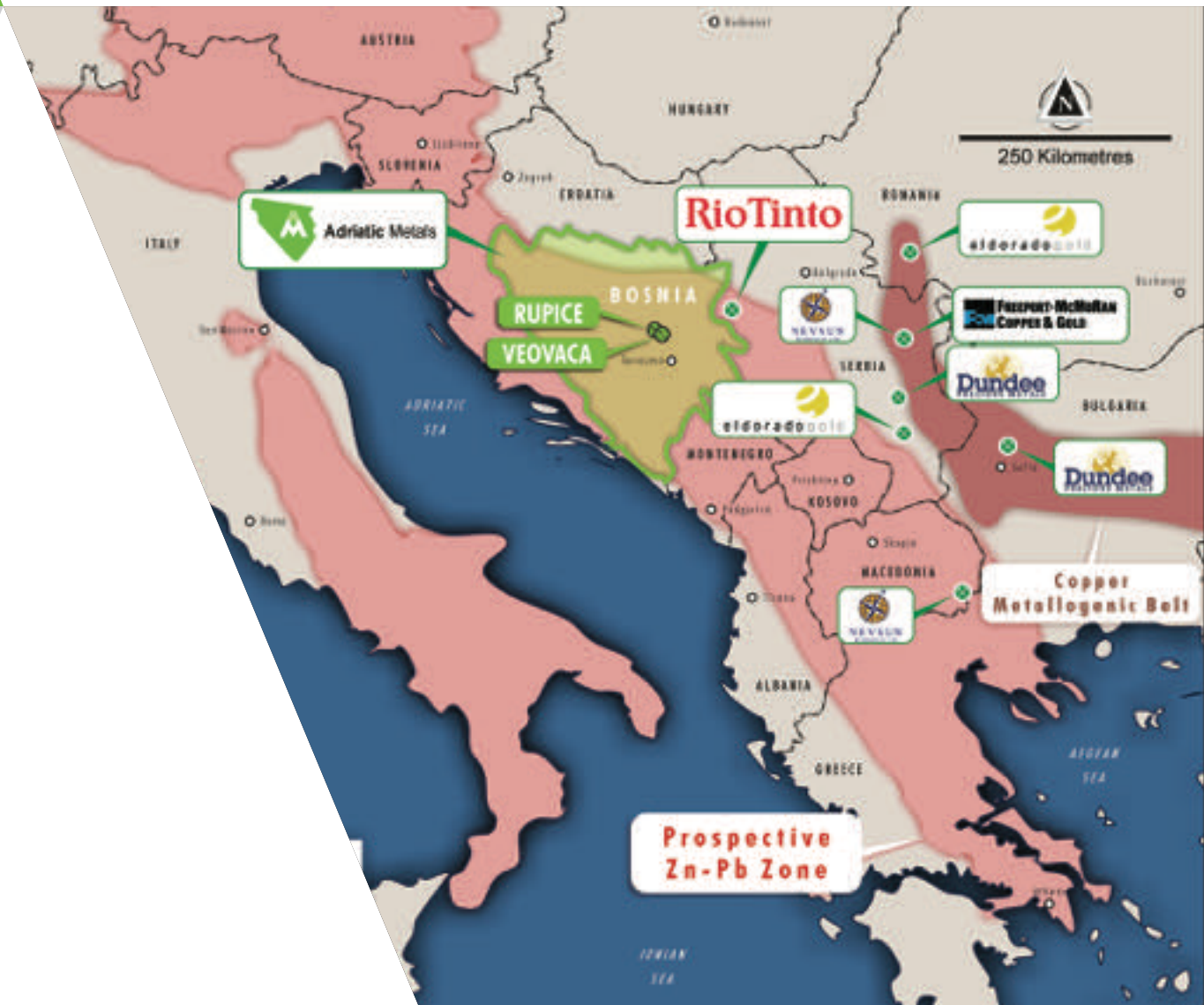
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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC**

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### **ASX ADDITIONAL INFORMATION**



ADRIATIC METALS  
PLC IS AN ASX-LISTED  
ZINC POLYMETALLIC  
EXPLORER AND  
DEVELOPER VIA ITS  
100% INTEREST IN THE  
**VAREŠ PROJECT** IN  
BOSNIA & HERZEGOVINA

# STRATEGIC REPORT HIGHLIGHTS 2018

Adriatic Metals plc (Adriatic or the Company) Initial Public Offering (IPO) was completed in May 2018, with the Company listing on the Australian Securities Exchange (ASX). A total of AUD\$10m was raised in a heavily oversubscribed IPO offering, with 50 million securities issued at AUD\$0.20 per share, which funded a two-year budget.

Leading Australian copper producer Sandfire Resources NL (ASX:SFR) became a cornerstone investor, which provided a significant endorsement from a highly regarded mining company and paved the way for ongoing technical collaboration. Sandfire subscribed for 10 million securities at IPO and holds a relevant interest of 7.7%.

A maiden JORC Resource was declared on Veovaca of 7.3 million tonnes at a 0.5% Zinc equivalent cut-off grade.

Commencement of a 15,000m diamond drilling programme at Adriatic's 100% owned Vares Project with 1st phase of drilling focusing on the high grade Rupice deposit and surrounding drill targets. Drilling since IPO has significantly extended the Rupice mineralisation in several directions, with major drill hole intercepts announced including:

- > Hole BR-2-18, intercepted 64m @ 4.6g/t Au, 537g/t Ag, 0.9% Cu, 7.7% Pb, 10.8% Zn, 46% BaSO<sub>4</sub>, from 214m
- > Hole BR-3-18, intercepted 36m @ 4.4g/t Au, 463g/t Ag, 0.5% Cu, 4.3% Pb, 5.7% Zn, 55% BaSO<sub>4</sub> from 196m; and 22m @ 4.1g/t Au, 258g/t Ag, 0.8% Cu, 7.5% Pb, 12.8% Zn, 56% BaSO<sub>4</sub> from 244m
- > Hole BR-5-18, intercepted 66m @ 2.1g/t Au, 158g/t Ag, 2.3% Cu, 8.6% Pb, 12.8% Zn and 37% BaSO<sub>4</sub> from 210m
- > Hole BR-7-18, intercepted 18m @ 2.6g/t Au, 201g/t Ag, 0.5% Cu, 4.5% Pb, 9.2% Zn and 62% BaSO<sub>4</sub> from 228m
- > Hole BR-8-18, intercepted 16m @ 1.6g/t Au, 136g/t Ag, 1.1% Cu, 4.0% Pb, 6.5% Zn and 10m at 51% BaSO<sub>4</sub> from 206m

Achieved significant regulatory milestones including initial approval, by the municipality, of the Company's application to expand the concession area at the Vares Project and also the approval by the Federation of Bosnia & Herzegovina of the 'Reserves' Elaborat for the Veovaca deposit, representing a step toward the issue of an Exploitation Permit for the combined Vares Concession.

# ACTIVITIES & DIFFERENTIATION

**Adriatic is a zinc polymetallic explorer and developer via its 100% interest in the Vareš Project in the Federation of Bosnia & Herzegovina (Bosnia).**

The Project comprises a brown-field open cut zinc/lead/barite and silver mine at Veovaca and at Rupice, an advanced exploration deposit which exhibits exceptionally thick mineralisation with high grades of base and precious metals.

Focused on expediting exploration and development activities and the establishment of strong in-country relationships, Adriatic has recruited a world class multi-disciplinary team to rapidly advance the Company's assets and to capitalise on its first mover advantage in Bosnia through the assessment of additional potential strategic land holdings.

Adriatic's exploration programme is well underway with exploration activities currently focussed on the high grade Rupice deposit. The short-term aim is to complete a drilling programme and maiden resource estimate at Rupice and to advance a technical study for the proposed development of the Vares project. Further drilling is also proposed at the Veovaca deposit to refine and optimise the subsequent mining plan.

Adriatic has announced its initial world class exploration results at Rupice with strong exploration growth potential and has defined a JORC mineral resource at the previously operating open pit mine at Veovaca. The sites are less than 20km apart and are proximal to or in the near vicinity of existing infrastructure in terms of power, water, rail, sealed roads, access to a skilled workforce, accommodation facilities, service providers and an international airport.

Adriatic seeks to differentiate through its competitive advantages of:

- establishing an early mover advantage in Bosnia as the Company is the only publicly listed mining concession holder in a country with a rich mining history, a pro-mining outlook, highly prospective geology and a stable fiscal and political system.
- strategically increasing its concession footprint, based on a database of historically discovered mineralisation near to its current projects and by reviewing other historic and new opportunities within Bosnia.
- a capable and multi-disciplinary management team which includes well regarded and experienced mining professionals with a track record of project delivery and operating experience.
- identifying through exploration drilling some of the highest grade polymetallic results globally; and
- being well funded for its current activities including the 15,000m diamond core drill programme and numerous technical evaluation programs.

# STRATEGIC REPORT CHIEF EXECUTIVE OFFICER'S REVIEW

This is Adriatic's first Annual Report as a listed company and it is pleasing to report that the Company is delivering on the key milestones we outlined in our 2018 IPO prospectus. Your board and management team are focused on ensuring we continue to develop our mineral assets in Bosnia with a view to increasing both the tonnage and metal values of the resources and rapidly progressing scoping and feasibility studies together with progressing the various approvals processes.

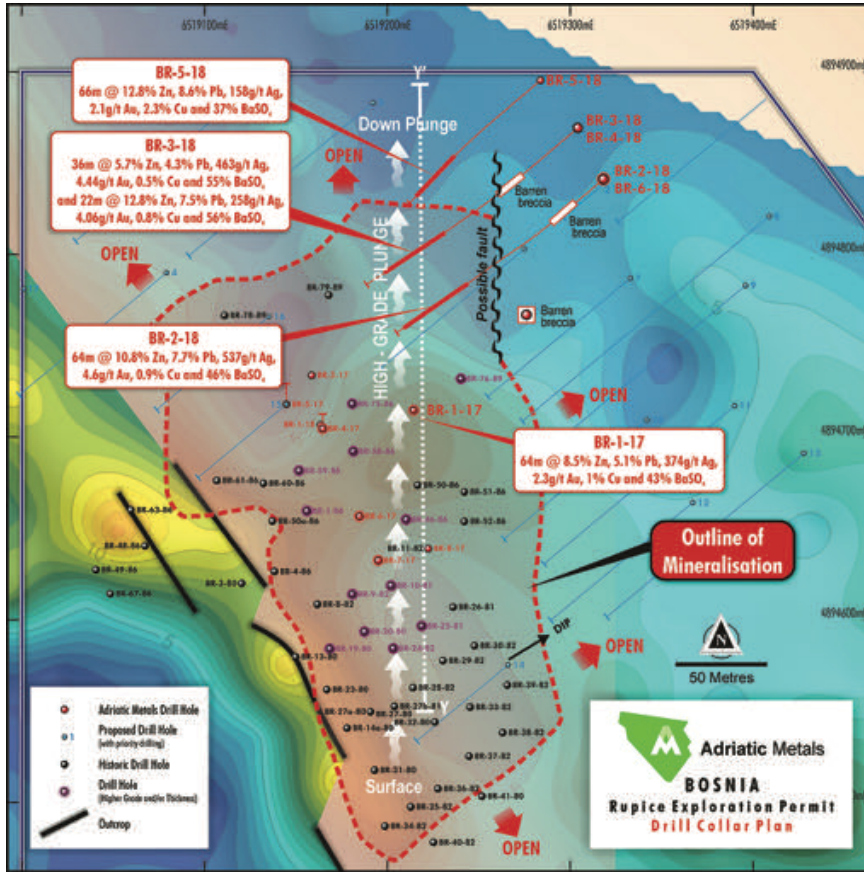
The Company's key strategic highlights are detailed below.

## EXPLORATION PROGRAMME & ASSETS

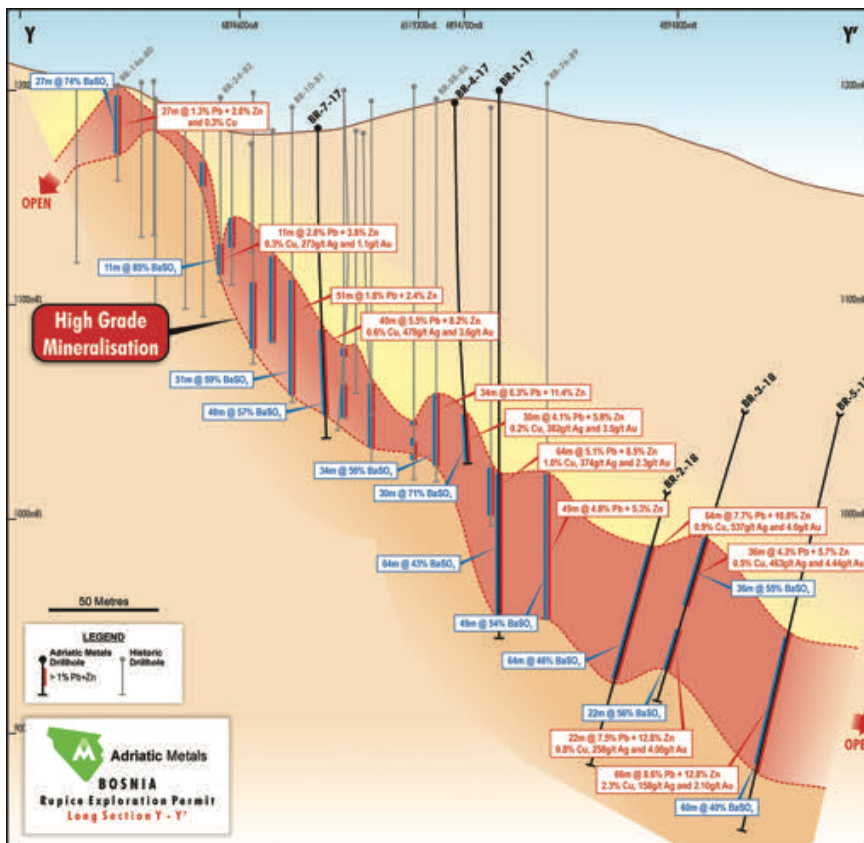
**(i) Rupice Prospect** – The Rupice Prospect was an advanced exploration project which when acquired, exhibited exceptionally high grades of base and precious metals and is located approximately 18 km North West of the Veovaca Deposit. As announced to the ASX, the Company released drill hole results that have already returned the highest grade and thickest results to date (BR 2, 3 & 5) and have extended the thick high-grade mineralisation down dip circa 80m and along plunge circa 160m. In the coming months, the Company plans to continue drilling to expand the known mineralised zone both laterally and down plunge. Adriatic has also delineated well defined drill targets both along strike and parallel to the known mineralisation at Rupice.

HOLE	FROM M	TO M	INTERVAL M	Au g/t	Ag g/t	Cu %	Pb %	Zn %	BaSO <sub>4</sub> %
BR-10-18	236	264	28	3.4	271	0.5	5.9	10.8	61
BR-8-18	206	222	16	1.6	136	1.1	4	6.5	33
BR-7-18	228	246	18	2.6	201	0.5	4.5	9.2	62
BR-5-18	210	276	66	2.1	158	2.3	8.6	12.8	37
BR-3-18	196	232	36	4.4	463	0.5	4.3	5.7	55
BR-3-18	244	266	22	4.1	258	0.8	7.5	12.8	56
BR-2-18	214	278	64	4.6	537	0.9	7.7	10.8	46
BR-7-17	94	134	40	3.6	479	0.6	5.5	8.2	57
BR-6-17	116	138	22	1.8	161	0.3	1.7	1.8	26
BR-4-17	146	176	30	3.5	382	0.2	4.1	5.8	71
BR-1-17	178	242	64	2.3	373	0.9	5.1	8.4	44

TABLE 1 DRILL HOLE RESULTS FOR KEY RUPICE HIGH GRADE INTERSECTIONS



**FIGURE 1** PLAN MAP SHOWING KEY DRILL HOLES & OUTLINE OF PREVIOUSLY KNOWN MINERALISATION



**FIGURE 2** LONG-SECTION OF RUPICE HIGHLIGHTING MINERALISED ZONE AND LOCATION OF KEY DRILL HOLES

# STRATEGIC REPORT CHIEF EXECUTIVE OFFICER'S REVIEW

“The extension areas include land where the Company has identified a strong exploration potential and where additional drilling could identify extensions to the known mineralisation or where historical or recent data indicates the potential for new discoveries.”

## EXPLORATION PROGRAMME & ASSETS (CONTINUED)

**(ii) Veovaca Deposit** – is an historic open cut zinc, lead, barite and silver mine which operated between 1983 and 1987 and ultimately shut down prior to emerging hostilities in the region. The Company completed a 16-hole, 1,381 metre diamond drilling programme at Veovaca in 2017 to confirm historical results and support a maiden JORC compliant resource of 4.4 million tonnes at a 2% cut-off (7.3 million tonnes at a 0.5% cut-off). The ongoing work programme for Veovaca is to conduct further exploration drilling with a view of increasing the current JORC resource, thoroughly sample for gold and silver across the entire resource base and to undertake metallurgical and mining studies.

**(iii) Approval received for Expanded Concession area** – in August 2018, the Vareš Municipal Council approved Adriatic's application for a major land expansion to its existing Concession Agreement at its 100% owned Vareš Projects that comprise Rupice and Veovaca. Under the terms of the Concession Agreement, the Company has three Fields, being Veovaca I & II and Rupice-Jurasavec Brestic, as outlined in red in Figure 4 below. The extension areas include land where the Company has identified a strong exploration potential and where additional drilling could identify extensions to the known mineralisation or where historical or recent data indicates the potential for new discoveries. The expanded Concession area includes land immediately to the north of hole BR-5-18, which intercepted 66m of high grade mineralisation, with this area being a high priority for future drilling. The Government of Zenica Canton has opened a 30 day Public Review period for the amendment of the Concession Agreement, and we expect final approval from the Canton within a short period following the end of the Public Review period.

**(iv) Permitting Milestone** – Adriatic recently confirmed that the Federal Ministry of Mining within the Federation of Bosnia & Herzegovina has provided written acknowledgment of the completion of the Reserves Elaborat for the Veovaca deposit, which forms part of the broader Vareš Project, representing a major milestone toward the issue of the Exploitation Permit. Under the terms of the Concession Agreement, the Company is required to complete the conditions for an Exploitation Permit by May 2020, which will then provide the company with license tenure until 2038 and can be further extended at the election of the Company for a period of 10 years. Following the issue of the Exploitation Permit, Adriatic will prepare and submit a Main Mining Plan (Feasibility Study) and apply for a Water Management Permit, which once accepted, will result in an Operations Permit being granted.

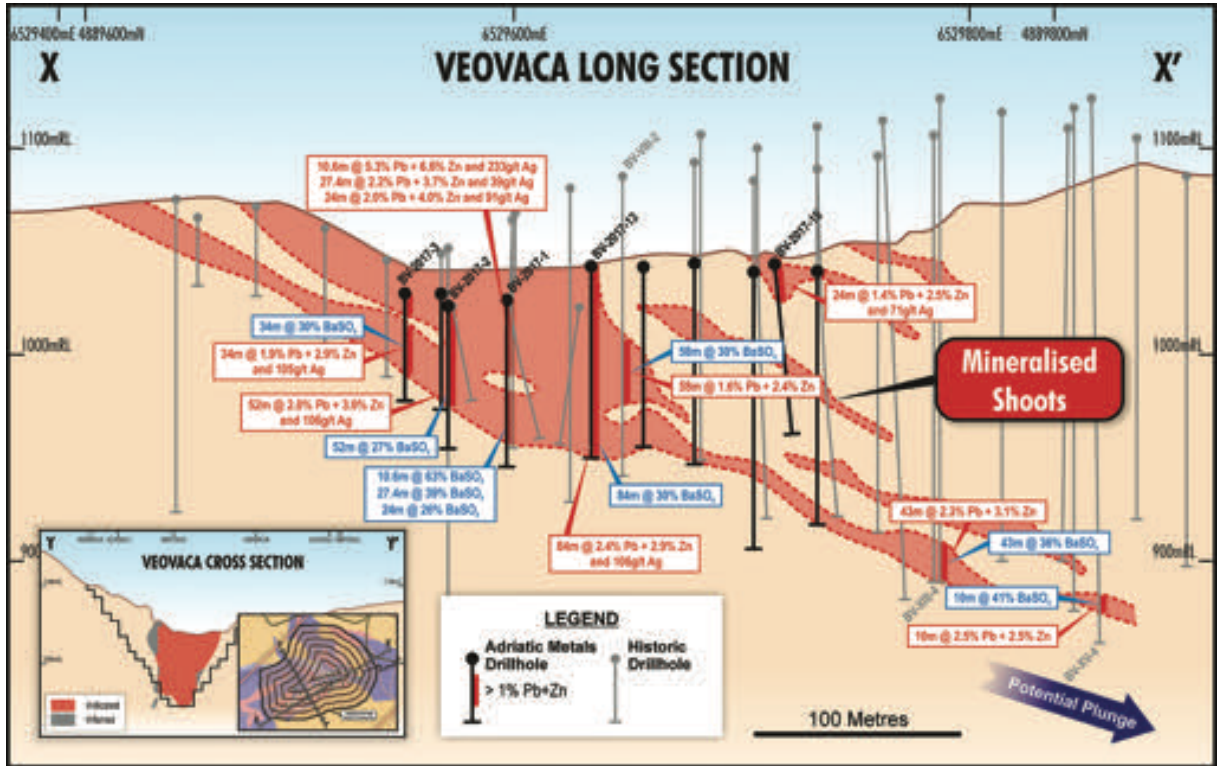


FIGURE 3 VEOVACA LONG SECTION

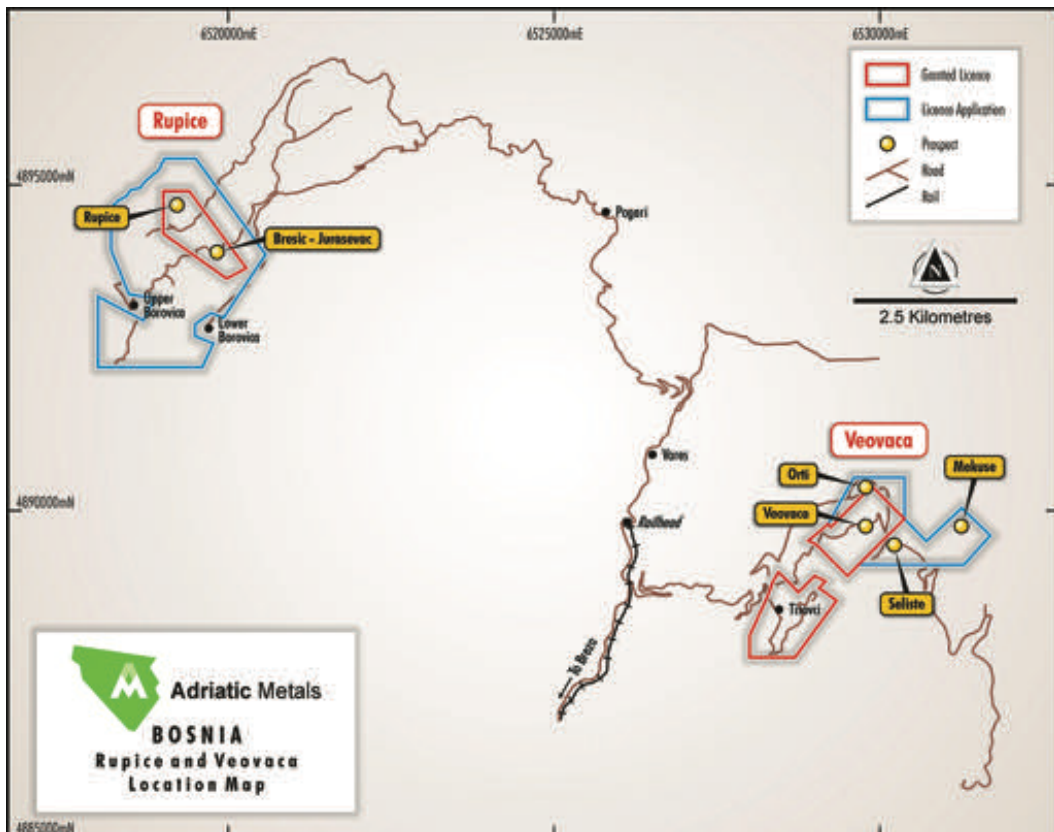


FIGURE 4 MAP SHOWING ADRIATIC'S EXISTING (RED) AND NEW CONCESSION AREAS (BLUE)

# STRATEGIC REPORT CHIEF EXECUTIVE OFFICER'S REVIEW

## BOSNIAN OPERATING ENVIRONMENT & IN-COUNTRY MANAGEMENT TEAM

The Balkans have some of the world's largest deposits (Cu, Au) and attracted significant investment from Rio Tinto, Freeport McMoran, First Quantum, Dundee Precious Metals and Nevsun. In the Federation of Bosnia and Herzegovina (Bosnia), a legacy mining code and complex bureaucracy has limited foreign investment and modern exploration over the last 20 years, creating an opportunity for potential major discoveries. Bosnia is now a stable democracy with over 20 years of peace, has a multi-party political system and is aspiring to join the EU and NATO. The Government of Bosnia is pro-mining and has an open policy to foreign investment and a low corporate tax rate of 10%. Foreign investors have equal rights and full legal protection and the local government in the Vareš region has publicly expressed strong support for the Project.

Bosnia has no requirement for government participation or free carry. The country has a skilled workforce, low labour rates and low cost of living, established transportation networks and low electricity costs. Rail networks link European smelters and seaboard markets through ports in Montenegro (Bar) and Croatia (Ploče).

Adriatic's exploration programme is managed by Bob Annett, an experienced geologist with over 40 years' experience across all aspects of exploration, evaluation and mining of precious, base & industrial metals and is the nominated JORC Competent Person.

During the year, Adriatic has been able to recruit and assemble a strong and highly competent Bosnian management team to ensure that it is well represented at community and government levels and to manage operations in Bosnia. Milos Bošnjaković is Head of Regulatory affairs in Bosnia and a Non-Executive Director. Milos has significant experience in mineral projects in the region was formally a qualified lawyer within the Interior Ministry of the former Yugoslavian government.

In May 2018, Adriatic announced the appointment of Adnan Teletovic as the General Manager of Adriatic's wholly owned subsidiary, Eastern Mining d.o.o, in Bosnia. Mr. Teletovic is a dual Bosnian-Australian national with extensive experience in the mining industry having previously held senior positions at Kalgoorlie Consolidated Gold Mines, BHP Billiton and has significant experience in general management and a track record in managing large capital mining projects.

## RESULT FOR FY18

As the company is in pre-production there is no forecast earnings nor expectation for profits and the Company will continue to invest in its exploration assets and incur losses in the near to medium term. The Loss after tax for the period was £1,928,697; FY17 (£292,307) and comprised one off costs for the 2018 year including share option costs for £1,121,275 and IPO expenses of £123,006 relating to the ASX listing as per note 17 in the Group Consolidated Financial Statements to 30 June 2018.

## INITIAL PUBLIC OFFERING ON ASX

During the year, Adriatic successfully completed its IPO on the ASX with a heavily oversubscribed offer that raised AUD\$10 million. This included a strategic cornerstone investment by leading Australian copper producer Sandfire Resources. Sandfire invested AUD\$2m into the IPO and is a substantial shareholder owning 7.7% of Adriatic.

Adriatic is now well positioned with a strong share register including significant board and management ownership and is fully funded for its current exploration and development budget. Board & management hold 34% of issued securities which are subject to a 2-year escrow period from date of ASX quotation.

**Geraint Harris**  
CHIEF EXECUTIVE OFFICER

## TENEMENT PORTFOLIO TABLE

CONCESSION NUMBER	LICENCE AREAS (HA)			RUPICE EXPLORATION RIGHTS EXPIRY		VEOVACA EXPLOITATION RIGHTS	
	VEOVACA I	VEOVACA II	RUPICE	DURATION (YEARS)	EXPIRY	DURATION (YEARS)	EXPIRY
04-18-21389-1/13	107.69	90.54	83.19	7.5	25 May 2020	25	12 March 2038 <sup>0)</sup>

- (i) *Tenure exploitation rights approved by Federal Ministry of Mining within the Federation of Bosnia & Herzegovina, subject to completing the conditions for an Exploitation Permit by May 2020, which will then provide the company with license tenure until 2038 and can be further extended at the election of the Company for a period of 10 years.*

## KEY PERFORMANCE INDICATORS

The near term and primary performance indicators for Adriatic are related to its exploration activities and include:

- Efficiently managing the exploration programme and increasing the current mineralised footprint and increasing Adriatic's current JORC resource base
- Advancing the permitting status on a pathway towards exploitation
- Continued exploration on nearby prospects to define further drill targets with the intent of making additional mineral discoveries
- Progressing the technical study elements for the deposits, culminating in publishing a scoping study and making progress towards future Pre-Feasibility and Feasibility Studies.

	2018 £	2017 £
Exploration & Evaluation Assets	<b>929,260</b>	172,337

## COMPETENT PERSONS STATEMENT

The information in this report which relates to Exploration Results is based on information compiled by Mr Robert Annett, who is a member of the Australian Institute of Geoscientists (AIG). Mr Annett 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 Annett consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

## FUTURE PROSPECTS

Adriatic's prospects are contingent upon the finalisation and completion of a successful 1st phase drilling programme. Subject to being able to expand the current identified mineralisation and continue reporting significant drill hole mineralised results at both Rupice and Veovaca, the Company's primary near term objectives are to declare a maiden resource at Rupice and continue to advance the technical studies and permitting on the concession and at Veovaca. Adriatic is also actively investigating new areas of interest within its current tenement portfolio and also new prospects.

Subject to the above being achieved, the Company will conclude a metallurgical programme and initiate a technical study.

# STRATEGIC REPORT

## PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy expose it to a number of risks. These risks are reviewed by the Board and Management with appropriate processes put in place to monitor and mitigate the risks.

Key business risks affecting the Group are set out below.

### EXPLORATION & DEVELOPMENT

Mineral exploration and development is a speculative and high-risk undertaking that may be impeded by circumstances and factors beyond the control of the Company. There can be no assurance that exploration on the Projects, 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.

### FUTURE FUNDING NEEDS

The funds raised under the Offer are considered sufficient to meet the immediate objectives of the Company. Further funding may be required by the Company in the event costs exceed estimates or revenues do not meet estimates, to support its ongoing operations and implement its strategies.

### BOSNIAN IN-COUNTRY RISKS

The Projects are located in Bosnia and Herzegovina. The Company will be subject to the risks associated with operating in that country, including various levels of political, sovereign, economic and other risks and uncertainties.

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

### OPERATIONAL RISKS

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

- (i) failure to locate or identify mineral deposits;
- (ii) failure to retain and secure key management;
- (iii) failure to achieve predicted grades in exploration and mining; and
- (iv) operational and technical difficulties encountered in metallurgy, processing and mining.

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

### ENVIRONMENTAL RISK

The Company's activities are subject to the environmental laws inherent in the mining industry and those specific to Bosnia and Herzegovina. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

### COMMODITY & CURRENCY EXCHANGE PRICES

The value of the Company's assets and potential earnings may be affected by fluctuations in commodity prices and exchange rates, such as the USD and GBP denominated zinc price and the GBP / USD exchange rate.

The value of the Company's assets and potential earnings may be affected by fluctuations in commodity prices and exchange rates, such as the USD and GBP denominated zinc price and the GBP / USD exchange rate.

# REPORT OF THE DIRECTORS

## DIRECTORS AND KEY MANAGEMENT

**PETER BILBE**, B. ENG (MINING) (HONS)

*Non-Executive Chairman*

Mr Bilbe is a mining engineer with 40 years Australian and international mining experience in gold, base metals and iron ore at the operational, CEO and board levels. Mr Bilbe is currently Non-Executive Chairman of Independence Group NL and since 2009 has overseen the growth of Independence from operating a single mine to a AUD\$2.5 billion diversified gold and base metals mining and exploration company. Mr Bilbe is also Non-Executive Chairman of Intermin Resources Ltd, an emerging gold developer.

Peter Bilbe was appointed as the Non-Executive Chairman of the Company on 16 February 2018 and serves as Chair of the Remuneration Committee.

**JULIAN BARNES**, BSC (HONS)

*Non-Executive Director*

Dr 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 Balkan mining & development.

He 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 a Non-Executive Director of Thor Explorations Ltd, a company listed on the Toronto Stock Exchange (Venture Exchange) and Zinc Of Ireland, a company listed on the Australian Stock Exchange.

Julian Barnes was appointed as a Director of the Company on 16 February 2018 and serves as a member of the Audit Committee.

**PAUL CRONIN**, B. COM & MBA

*Non-Executive Director*

Mr Cronin is a unique 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 resource fund, RMB Resources where he originated, structured and managed several debt and equity investments on behalf of the fund. Paul is currently CEO of ASX & TSX listed Black Dragon Gold, and Non-Executive Director of Global Atomic Corporation.

Paul Cronin was appointed as a Director of the Company on 3 February 2017 and serves as a member of the Remuneration Committee and Chair of the Audit Committee.

**ERIC DE MORI**, B. MARKETING & DIP. FINANCIAL SERVICES

*Non-Executive Director*

Mr de Mori has over 15 years' experience in ASX small capital investment and corporate finance, specializing in natural resources, biotechnology and technology. Eric has a broad skill set across ASX listed company corporate finance and has held several director and major shareholder positions with ASX listed technology and resource companies. Eric is the head of natural resources for institutional stockbroker Ashanti Capital and a Non-Executive Director of Invictus Energy Ltd.

Mr de Mori was appointed to the Board on 10 August 2017 and serves as a member of the Audit Committee.

**MILOS BOSNJAKOVIC**

*Non-Executive Director*

Mr Bosnjakovic is a dual national of Australia and Bosnia Herzegovina and was the co-founder of ASX-listed Balamara Resources Limited. He has significant experience in mineral projects in the region and is a qualified lawyer with extensive experience in the Former Yugoslav Republics, Australia and New Zealand. Mr Bosnjakovic is currently engaged as consultant to Adriatic, responsible for government and regulatory relations, and will remain in that important role.

Mr Bosnjakovic was appointed to the Board of the Company on 16 July 2018 and serves as a member of the Remuneration Committee.

# REPORT OF THE DIRECTORS

## SENIOR MANAGEMENT

**GERAINT HARRIS**, B. ENG (HONS) & M. SC. ENG. (MINING)

*Chief Executive Officer*

Mr Harris is a mining engineer with over 20 years' experience across mining operations, consultancy, fund management and project finance – specialising in gold and base metals. Mr Harris has worked and lived in numerous countries across his career including Europe, North and South America, Central Asia, former Soviet Union and China. Geraint was also Manager mine services for Lisheen (high grade U/G) in Ireland, one of the biggest zinc mines in the world until its recent closure.

Geraint Harris was appointed as Chief Executive Officer on 1 October 2017.

**ROBERT ANNETT**, BSC (HONS), ARSM, AIMM, AIG & MIQ

*Head of Exploration*

Mr Annett is an experienced geologist with over 40 years' experience across all aspects of exploration, evaluation and mining of precious, base & industrial metals. He is a Competent Person under the JORC Code and is responsible for the day to day management of all exploration works.

Robert Annett was appointed as Head of Exploration on 1 April 2017.

**SEAN DUFFY**, MBA, GRAD CERT. IN BUSINESS MARKETING

*Chief Financial Officer & Company Secretary*

Mr Duffy brings with him more than 20 years of international finance experience in the mining industry, including key positions with BHP Billiton and other AIM/ASX listed companies. Sean Duffy was appointed as Chief Financial Officer and Company Secretary on 17 November 2017.

**ADNAN TELETOVIC**, B. ENG (HONS.)

*General Manager, Eastern Mining d.o.o*

Dr. Teletovic is a dual Bosnian-Australian national with extensive experience in the mining industry having previously held senior positions at Kalgoorlie Consolidated Gold Mines, BHP Billiton and the Prevent Group, one of Bosnia's largest diversified industrial corporations. Adnan has a Bachelor of Engineering (Hons.) from Victoria University of Technology, a PhD from Deakin University and has significant experience in not only general management but also a track record in managing large capital mining projects in the Australian mining industry.

## DIRECTORS' REPORT

The Directors present their annual report with the statutory financial statements of the Group for the year ended 30 June 2018.

This report should be read in conjunction with the Strategic Report on pages 02 to 10.

### 1 BOARD OF DIRECTORS AND OFFICERS OF THE COMPANY

The names of the Directors who held office during the financial year and to the date of this report were:

DIRECTOR NAME	POSITION	APPOINTED
Peter Bilbe	Non-Executive Chairman	16 February 2018
Paul Cronin	Non-Executive Director	3 February 2017
Julian Barnes	Non-Executive Director	16 February 2018
Eric de Mori	Non-Executive Director	10 August 2017
Milos Bosnjakovic	Non-Executive Director	16 July 2018

The company secretary is Sean Duffy.

### 2 RESULTS

The Group realised a loss after tax for the year of £1,928,697 (2017 loss of £292,307).

### 3 GOING CONCERN

The Group incurred a loss of £1,928,697 (30 June 2017: £292,307) in the period however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans and the continued support of investors

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.

### 4 DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018 (2017: \$nil).

### 5 DIRECTORS' INDEMNITY INSURANCE

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

### 6 AUDITOR

Lubbock Fine Chartered Accountants have been appointed as auditors of Adriatic Metals plc and at the Company's 1st Annual General Meeting Lubbock Fine Chartered Accountants will be proposed for re- appointment.

# REPORT OF THE DIRECTORS

## DIRECTORS' REPORT (CONTINUED)

### 7 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's financial risk management objectives and policies and exposures to risk are outlined in Note 23 to the financial statements.

### 8 ROUNDING OF AMOUNTS AND PRESENTATIONAL CURRENCY

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise expressly stated. The Group financial statements are presented in British Pounds ("£") which is the Group's presentational currency.

On behalf of the Board



**Peter Bilbe**  
CHAIRMAN

25 September 2018

## CORPORATE GOVERNANCE REPORT

The Board of Directors of Adriatic is responsible for establishing the corporate governance framework of the group having regard to the ASX Corporate Governance Council published guidelines. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board has adopted a corporate governance framework, based upon ASX Corporate Governance Principles, which it considers to be suitable given the size, history and strategy of the Company.

The Company's Corporate Governance Statement has been approved by the Board and can be located on the Company's website at <http://www.adriaticmetals.com/corporate-governance/>

## REMUNERATION POLICY FOR EXECUTIVES AND MANAGEMENT

Given the size of the company and current board structure at 30 June 2018 the company had not established a Remuneration and Nominations Committee with any relevant matters being considered by the full Board of the Company. Subsequent to year end the Board established a Remuneration Committee on 14 September 2018.

The Directors have responsibility for the appointment and performance assessment of the Chief Executive Officer and Chief Financial Officer, Company Secretary, other senior executives and terms and conditions including remuneration and approving the Company's remuneration and rewards framework. When considering the remuneration policy for the Company's Executives and Management the Board will consider performance and achievement in line with the Company's objectives and to ensure the interests of shareholders and stakeholders are enhanced. The Board will perform an annual review to ensure a strong link between performance and reward is made and will form part of the annual remuneration review.

## SHARE OPTIONS

The Company has adopted a company share option plan (Plan). The Plan forms what the Board considers to be an important element of the Company's total remuneration strategy for its officers and staff.

## REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The Directors have responsibility to review, monitor and make recommendations to the Board regarding the orientation and education of directors which includes an annual review of the directors' compensation program.

The Company Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive directors must not exceed in aggregate the amount fixed by the Directors prior to the first annual general meeting. The aggregate remuneration for all non-executive directors has been set at an amount of AUD\$400,000 per annum by the Directors. The remuneration of the Non-Executive Directors must not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the proposed increase has been given to Shareholders in the notice convening the meeting.

The remuneration of the Non-Executive Directors is determined by the Board as a whole, based on a review of current practices in other equivalent companies. The Non-Executive Directors each have service agreements that are reviewed annually by the Board.

## DIRECTORS' REMUNERATION (AUDITED)

The Company paid the following remuneration to each Director:

2018	SALARY/FEE £	LONG TERM BENEFIT £	TOTAL £
Paul Cronin	5,000	-	5,000
Eric De Mori	5,059	-	5,059
Peter Bilbe	19,573	-	19,573
Julian Barnes	11,607	-	11,607
<b>TOTAL</b>	<b>41,239</b>	<b>-</b>	<b>41,239</b>

The annual Directors fees payable by the Company is as follows:

	SALARY/FEE £	
Paul Cronin	30,000	
Eric De Mori	30,000	(AUD\$54,000) equivalent
Peter Bilbe	50,000	(AUD\$90,000) equivalent
Julian Barnes	30,000	
<b>TOTAL</b>	<b>140,000</b>	

Milos Bosnjakovic was appointed as a Non-Executive Director on 16 July 2018 and therefore did not receive any Director fees for the period to 30 June 2018.

DIRECTORS - PRE IPO ADVISOR FEES	2018 £	2017 £
Swellcap Limited	120,400	100,000
Lancaster Corporate	75,000	75,000
<b>TOTAL</b>	<b>195,400</b>	<b>175,000</b>

# REPORT OF THE DIRECTORS

## DIRECTORS' REMUNERATION (AUDITED) (CONTINUED)

### RELATED PARTY NOTE – DIRECTOR ADVISOR FEES

The Company engaged Swellcap Limited, as a corporate advisor, under a corporate advisory agreement which commenced on 1 February 2017. Swellcap is a related party of the Company as it is controlled by Paul Cronin, a Director of the Company. Under this agreement, the Company paid £100,000 for advisory fees and £10,000 per month from 1 February 2017 (capped at £100,000) for services provided by Paul Cronin in his capacity as a Director. No further payments are due to Swellcap Limited under the terms of this agreement. The Company has also engaged Swellcap to provide the Company with corporate office facilities and services from 1 April 2018 at £5,000 per month.

The Company engaged Lancaster Corporate Pty Ltd, as a corporate advisor, under a corporate advisory agreement which commenced on 1 February 2017. Lancaster is a related party of the Company as it is controlled by Eric De Mori, a Director of the Company. Under this agreement, the Company paid £50,000 for advisory fees and £10,000 per month from 1 February 2017 (capped at £100,000) for services provided by Eric De Mori in his capacity as a Director. No further payments are due to Lancaster Corporate under the terms of this agreement.

### DIRECTOR'S SHARE OPTIONS

In addition to the fees above, the Company has issued the following options to Directors.

NAME OF DIRECTOR NON-EXECUTIVE	OPTIONS GRANTED	TOTAL OPTIONS VESTED AS AT 1 JULY 2017	OPTIONS VESTING IN THE YEAR	OPTIONS LAPSING IN THE YEAR	TOTAL OPTIONS VESTED AS AT 30 JUNE 2018	EXERCISE PRICE	EARLIEST DATE OF EXERCISE (ESCROW DATE)	DATE OF EXPIRY
Peter Bilbe	1,500,000	-	1,500,000	-	<b>1,500,000</b>	AUD\$0.30	1/5/2020	1/7/2021
Paul Cronin	5,000,000	-	5,000,000	-	<b>5,000,000</b>	AUD\$0.20	1/5/2020	1/7/2023
Eric De Mori	4,000,000	-	4,000,000	-	<b>4,000,000</b>	AUD\$0.20	1/5/2020	1/7/2023
Julian Barnes	1,000,000	-	1,000,000	-	<b>1,000,000</b>	AUD \$0.30	1/5/2020	1/7/2021

### DIRECTORS' INTERESTS

The Directors' interests in shares and other securities in Adriatic Metals plc are set out below:

NON-EXECUTIVE DIRECTOR	NUMBER OF ORDINARY SHARES (CDI'S) 30 JUNE 2018	NUMBER OF OPTIONS 30 JUNE 2018
Peter Bilbe	<b>250,000</b>	<b>1,500,000</b>
Paul Cronin	<b>16,851,332</b>	<b>5,000,000</b>
Eric De Mori	<b>11,054,000</b>	<b>4,000,000</b>
Julian Barnes	-	<b>1,000,000</b>
Milos Bosnjakovic <sup>(i)</sup>	<b>16,000,000</b>	<b>1,000,000</b>

(i) Milos Bosnjakovic – was appointed to the board as a non-executive director on 16 July 2018

## DIRECTORS RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable UK Company law. 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 Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



**Peter Bilbe**  
CHAIRMAN

25 September 2018

YEAR ENDED 30 JUNE 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

	NOTE	PERIOD FROM 1 JUL 2017 TO 30 JUN 2018 £	PERIOD FROM 3 FEB 2017 TO 30 JUN 2017 £
<b>REVENUE</b>			
Sale of services		-	1,519
<b>GROSS PROFIT</b>		-	1,519
Administrative expenses	5	<b>(2,170,921)</b>	(286,461)
<b>OPERATING LOSS</b>		<b>(2,170,921)</b>	(284,942)
Finance costs	8	<b>242,224</b>	(7,365)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(1,928,697)</b>	(292,307)
Tax	9	-	-
<b>LOSS FROM CONTINUING OPERATIONS</b>		<b>(1,928,697)</b>	(292,307)
Other comprehensive income	10	<b>5,965</b>	25,402
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(1,922,732)</b>	(266,905)
<b>Earnings per share expressed in pence per share:</b>			
Basic	16	<b>(2.27)</b>	(0.55)
Diluted		<b>(2.10)</b>	(0.55)

All the activities of the Group are classed as continuing.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own statement of profit or loss.

*The notes on pages 24 to 46 form part of these financial statements.*

AS AT 30 JUNE 2018

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2018 £	30 JUN 2017 £
<b>NON-CURRENT ASSETS</b>			
Intangible assets	12	<b>1,034,235</b>	282,107
Tangible assets	11	<b>626,308</b>	585,686
		<b>1,660,543</b>	867,793
<b>CURRENT ASSETS</b>			
Inventories		-	22
Trade and other receivables	13	<b>147,711</b>	17,688
Cash and cash equivalents	14	<b>4,644,389</b>	311,470
		<b>4,792,100</b>	329,180
<b>TOTAL ASSETS</b>		<b>6,452,643</b>	1,196,973
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	16	<b>1,733,042</b>	856,323
Share premium		<b>5,515,049</b>	406,183
Other capital reserves	18	<b>1,282,365</b>	-
Other reserves	18	<b>31,367</b>	25,402
Retained deficit	18	<b>(2,221,004)</b>	(292,307)
<b>TOTAL EQUITY</b>		<b>6,340,819</b>	995,601
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>111,824</b>	201,372
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,452,643</b>	1,196,973

The notes on pages 24 to 46 form part of these financial statements.

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



**Mr P Cronin**  
DIRECTOR

Date: 25 September 2018

Company Registration Number: 01682644

AS AT 30 JUNE 2018

# COMPANY STATEMENT OF FINANCIAL POSITION

	NOTE	30 JUN 2018 £	30 JUN 2017 £
<b>NON-CURRENT ASSETS</b>			
Investments	4	<b>1,517,405</b>	883,545
Intangible assets	12	<b>345,761</b>	73,412
Tangible assets	11	<b>26,454</b>	360
		<b>1,889,620</b>	957,317
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	<b>110,494</b>	275,000
Cash and cash equivalents	14	<b>4,572,426</b>	226,830
		<b>4,682,920</b>	501,830
<b>TOTAL ASSETS</b>		<b>6,572,540</b>	1,459,147
<b>Equity</b>			
Share capital	16	<b>1,733,042</b>	856,323
Share premium		<b>5,515,049</b>	406,183
Other capital reserves	18	<b>1,282,365</b>	-
Retained earnings	18	<b>(2,023,689)</b>	7,982
<b>TOTAL EQUITY</b>		<b>6,506,767</b>	1,270,488
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>65,773</b>	188,659
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,572,540</b>	1,459,147

The notes on pages 24 to 46 form part of these financial statements.

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



**Mr P Cronin**  
DIRECTOR

Date: 25 September 2018

Company Registration Number: 01682644

YEAR ENDED 30 JUNE 2018

# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

<b>GROUP</b>	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	<b>TOTAL</b>
	£	£	£	£	£	£
<b>As at 3 February 2017</b>	-	-	-	-	-	-
Loss for the period	-	-	-	(292,307)	-	<b>(292,307)</b>
Issue of share capital	856,323	406,183	-	-	-	<b>1,262,506</b>
Other comprehensive income	-	-	-	-	25,402	<b>25,402</b>
<b>As at 30 June 2017</b>	856,323	406,183	-	(292,307)	25,402	<b>995,601</b>
Loss for the period	-	-	-	(1,928,697)	-	<b>(1,928,697)</b>
Issue of share capital	876,719	5,108,866	-	-	-	<b>5,985,585</b>
Issue of options	-	-	1,282,365	-	-	<b>1,282,365</b>
Other comprehensive income	-	-	-	-	5,965	<b>5,965</b>
<b>As at 30 June 2018</b>	1,733,042	5,515,049	1,282,365	(2,221,004)	31,367	<b>6,340,819</b>

<b>COMPANY</b>	SHARE CAPITAL	SHARE PREMIUM	OTHER CAPITAL RESERVE	RETAINED EARNINGS	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES)	<b>TOTAL</b>
	£	£	£	£	£	£
<b>As at 3 February 2017</b>	-	-	-	-	-	-
Loss for the period	-	-	-	7,982	-	<b>7,982</b>
Issue of share capital	856,323	406,183	-	-	-	<b>1,262,506</b>
Other comprehensive income	-	-	-	-	-	-
<b>As at 30 June 2017</b>	856,323	406,183	-	7,982	-	<b>1,270,488</b>
Loss for the period	-	-	-	(2,031,671)	-	<b>(2,031,671)</b>
Issue of share capital	876,719	5,108,866	-	-	-	<b>5,985,585</b>
Issue of options	-	-	1,282,365	-	-	<b>1,282,365</b>
Other comprehensive income	-	-	-	-	-	-
<b>As at 30 June 2018</b>	1,733,042	5,515,049	1,282,365	(2,023,689)	-	<b>6,506,767</b>

YEAR ENDED 30 JUNE 2018

# CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 £	2017 £
<b>Loss</b>	<b>(1,928,697)</b>	(292,307)
Foreign exchange difference on consolidation	<b>5,965</b>	25,402
Depreciation and amortisation	<b>8,910</b>	2,394
Share based payments	<b>1,161,408</b>	-
Other non-cash movements	<b>(4,885)</b>	-
<b>Working capital adjustments:</b>		
Increase in trade and other receivables	<b>(130,023)</b>	(17,210)
Decrease/(increase) in inventories	<b>22</b>	(22)
(Decrease)/increase in trade and other payables	<b>(89,548)</b>	186,858
<b>Net cash flows used in operating activities</b>	<b>(976,848)</b>	(94,885)
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(40,296)</b>	(39,920)
Purchase of intangible assets	<b>(756,479)</b>	(176,624)
Acquisition of subsidiary undertaking	-	(426,624)
<b>Net cash flows used in investing activities</b>	<b>(796,775)</b>	(643,168)
<b>Financing activities</b>		
Issue of share capital (net of fees)	<b>6,106,542</b>	1,049,523
<b>Net cash flows generated from financing activities</b>	<b>6,106,542</b>	1,049,523
<b>Net increase in cash and cash equivalents</b>	<b>4,332,919</b>	311,470
Cash and cash equivalents at 30 June 2017	<b>311,470</b>	-
<b>Cash and cash equivalents at 30 June 2018</b>	<b>4,644,389</b>	311,470

The notes on pages 24 to 46 form part of these financial statements.

YEAR ENDED 30 JUNE 2018

# COMPANY STATEMENT OF CASH FLOWS

	2018 £	2017 £
<b>(Loss)/profit</b>	<b>(2,031,671)</b>	7,982
Share based payments	<b>1,161,408</b>	-
<b>Working capital adjustments:</b>		
Decrease/(increase) in trade and other receivables	<b>164,506</b>	(275,000)
(Decrease)/increase in trade and other payables	<b>(122,886)</b>	188,659
<b>Net cash flows used in operating activities</b>	<b>(828,643)</b>	(78,359)
<b>Investing activities</b>		
Purchase of property, plant and equipment	<b>(26,094)</b>	(360)
Purchase of intangible assets	<b>(272,349)</b>	(73,412)
Investment in subsidiary undertaking	<b>(633,860)</b>	(670,562)
<b>Net cash flows used in investing activities</b>	<b>(932,303)</b>	(744,334)
<b>Financing activities</b>		
Issue of share capital	<b>6,106,542</b>	1,049,523
<b>Net cash flows generated from financing activities</b>	<b>6,106,542</b>	1,049,523
<b>Net increase in cash and cash equivalents</b>	<b>4,345,596</b>	226,830
Cash and cash equivalents at 30 June 2017	<b>226,830</b>	-
<b>Cash and cash equivalents at 30 June 2018</b>	<b>4,572,426</b>	226,830

The notes on pages 24 to 46 form part of these financial statements

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The consolidated financial statements present the financial information of Adriatic Metals and its subsidiaries (collectively, the Group) for the year ended 30 June 2018. The comparative period represents the period from 3 February 2017 to 30 June 2017 and so is not directly comparable. Adriatic Metals Plc (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The registered office is located at Second Floor, Stamford House, Regent Street, Cheltenham, United Kingdom, GL50 1HN.

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

Information on the Group's structure is provided in Note 4.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **BASIS OF PREPARATION**

The consolidated 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"), and with the Companies Act 2006.

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

The principal accounting policies adopted by the Group in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

### **GOING CONCERN**

The Group incurred a loss of £1,928,697 (2017 - £292,307) in the year however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans and the continued support of investors

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.

### **BUSINESS COMBINATIONS**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in equity of the parent in transactions where the non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### **GOODWILL**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised as the non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

### **FOREIGN CURRENCIES**

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates ('the local functional currency').

### **TRANSACTIONS AND BALANCES**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### **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.

### **REVENUE RECOGNITION**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### TAXES

#### **Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

#### **Sales tax**

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

#### *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.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment transferred from acquisitions are initially measured at the fair value at the date on which control is obtained.

Land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses.

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

- Land & buildings – Not depreciated
- Plant & equipment – 15%
- Office Equipment – 15%
- Vehicles – 15%
- Assets under construction – Not depreciated

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 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.

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 & Licenses – 5%

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### FINANCIAL INSTRUMENTS

Financial assets in the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which do not include transaction costs. Purchases or sales of financial assets that require delivery of assets in a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date at which the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, and trade and other receivables.

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities are classed as trade and other payables.

### TRADE RECEIVABLES

Trade receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### SHARE-BASED PAYMENTS

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

### EQUITY-SETTLED TRANSACTIONS

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 17.

That cost is recognised in employee benefits expense (Note 5), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

### **EQUITY-SETTLED TRANSACTIONS** *(CONTINUED)*

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 16).

### **PROVISIONS AND CONTINGENCIES**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

### **STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2018 are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

### **NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

#### ***IFRS 9 Financial Instruments***

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

#### *IFRS 16 Leases*

IFRS 16, 'Leases' deals with recognition, measurement, presentation and disclosure of leases. The standard provides a single accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

### USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the following is an area where particular judgement is required:

### 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.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the Group represent one segment, as they are treated as such when evaluating performance.

## 4. GROUP INFORMATION

	INVESTMENT IN SUBSIDIARY £
Additions	883,545
<b>At 30 June 2017</b>	883,545
Additions	633,860
<b>At 30 June 2018</b>	1,517,405
<b>NET BOOK VALUE</b>	
<b>At 30 June 2018</b>	1,517,405
At 30 June 2017	883,545

The consolidated financial statements of the Group include:

NAME	PRINCIPAL ACTIVITIES	ADDRESS OF REGISTERED OFFICE	% EQUITY INTEREST	
			2018	2017
Eastern Mining d.o.o	Mining exploration	Marsala Tita 3/II, 1000 Sarajevo, Bosnia and Herzegovina	<b>100</b>	100

### ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017

The Group acquired 100% of the share capital of Eastern Mining d.o.o (Eastern Mining) a company holding certain exploration licences, on 28 February 2017 for €750k cash and 4,000,000 shares in the Company. Eastern Mining has been acquired to gain access to additional reserves for the Group.

## 4. GROUP INFORMATION *(CONTINUED)*

### ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017 *(CONTINUED)*

#### *Acquisition date fair values*

The provisional fair values of identifiable assets acquired and liabilities assumed of Eastern Mining as at the date of acquisition were:

	FAIR VALUE £
<b>Assets</b>	
Intangible assets	107,453
Property, plant and equipment	546,190
Other current assets	478
Cash and cash equivalents	(657)
	653,464
<b>Liabilities</b>	
Trade and other payables	(14,514)
<b>Total identifiable assets at fair value</b>	<b>638,950</b>

Due to the early stage nature of the company acquired and the nature of its operations, the Directors do not consider that any goodwill was acquired on acquisition. Any excess in amount paid is reflected in a fair value uplift in the licenses acquired.

#### *Acquisition-date fair value of consideration transferred*

	£
Cash paid	425,967
Fair Value of shares issued	212,983
<b>Consideration transferred</b>	<b>638,950</b>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(657)
Cash paid	(425,967)
<b>Net consolidated cash outflow</b>	<b>426,624</b>

From the date of acquisition (28 February 2017) to 30 June 2017, Eastern Mining contributed £1,519 to Group revenue and (£25,289) to Group loss. Due to the timing of the acquisition if this had taken place at the beginning of the period, Group revenue and loss for the 2017 period would have been materially the same as that shown in the Consolidated Statement of Comprehensive Income.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. ADMINISTRATIVE EXPENSES

	NOTE	2018 £	2017 £
Wages and salaries		<b>173,850</b>	60,378
Employee benefit expense – share options	17	<b>1,121,275</b>	-
Consultancy fees		<b>531,954</b>	175,000
Depreciation	11	<b>4,632</b>	424
Amortisation	12	<b>5,321</b>	1,970
Other costs		<b>210,883</b>	48,689
IPO Costs		<b>123,006</b>	-
		<b>2,170,921</b>	286,461

## 6. EMPLOYEES

The average monthly number of employees during the year was as follows:

	2018	2017
Directors	<b>3</b>	2
Administrative staff - Eastern Mining	<b>4</b>	1
Exploration staff - Eastern Mining	<b>10</b>	4
Administrative and Management - Adriatic Metals	<b>2</b>	1
	<b>19</b>	8

## 7. AUDITORS REMUNERATION

	2018 £	2017 £
Auditor's remuneration – fees payable to the Group's auditor for the audit of the group's annual accounts	<b>12,500</b>	15,000
Auditor's remuneration – fees payable to the auditor for the audit of accounts of subsidiaries of the company	<b>3,625</b>	1,586
	<b>16,125</b>	16,586

## 8. FINANCE COSTS

	2018 £	2017 £
Foreign currency movements	<b>(242,224)</b>	7,365

## 9. INCOME TAX

No liability to corporation tax arose on ordinary activities for the period ended 30 June 2018 or 30 June 2017.

### RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

	2018 £	2017 £
Loss before tax	<b>(1,928,697)</b>	(292,307)
Loss multiplied by the standard rate of corporation tax in the UK 19%	<b>(366,452)</b>	(55,538)
Effects of: Losses carried forward	<b>366,452</b>	55,538
Total tax charge	-	-

### FACTORS THAT MAY AFFECT FUTURE CURRENT AND TOTAL TAX CHARGES

A deferred tax asset of £70,000 (2017 - £10,000) at the year end has not been recognised due to uncertainty surrounding the Group's future taxable profits.

The UK corporation tax rate has reduced from 20% to 19%, effective 1 April 2017, and will be reduced further to 17% from 1 April 2020. The effects of these changes have been reflected in the financial statements.

## 10. OTHER COMPREHENSIVE INCOME

	2018 £	2017 £
Foreign exchange differences on consolidation	<b>5,965</b>	25,402

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11. TANGIBLE ASSETS

### GROUP

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
<b>COST</b>				
At 3 February 2017	-	-	-	-
Acquired through acquisition	546,190	-	-	<b>546,190</b>
Additions	-	19,055	4,693	<b>23,748</b>
Foreign exchange differences	16,172	-	-	<b>16,172</b>
<b>At 30 June 2017</b>	<b>562,362</b>	<b>19,055</b>	<b>4,693</b>	<b>586,110</b>
Additions	-	40,205	91	<b>40,296</b>
Disposals	-	-	-	-
Foreign exchange differences	3,758	125	32	<b>3,915</b>
<b>At 30 June 2018</b>	<b>566,120</b>	<b>59,385</b>	<b>4,816</b>	<b>630,321</b>
<b>DEPRECIATION</b>				
At 3 February 2017	-	-	-	-
Charge for the year	-	424	-	<b>424</b>
<b>At 30 June 2017</b>	<b>-</b>	<b>424</b>	<b>-</b>	<b>424</b>
Charge for the year	-	3,589	-	<b>3,589</b>
On disposals	-	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>4,013</b>	<b>-</b>	<b>4,013</b>
<b>NET BOOK VALUE</b>				
<b>At 30 June 2018</b>	<b>566,120</b>	<b>55,372</b>	<b>4,816</b>	<b>626,308</b>
At 30 June 2017	562,362	18,631	4,693	<b>585,686</b>

## 11. TANGIBLE ASSETS (CONTINUED)

### COMPANY

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	TOTAL £
<b>COST</b>				
At 3 February 2017	-	-	-	-
Additions	-	360	-	<b>360</b>
Disposals	-	-	-	-
<b>At 30 June 2017</b>	-	360	-	<b>360</b>
Additions	-	26,094	-	<b>26,094</b>
Disposals	-	-	-	-
<b>At 30 June 2018</b>	-	26,454	-	<b>26,454</b>
<b>DEPRECIATION</b>				
At 3 February 2017	-	-	-	-
Charge for the year	-	-	-	-
<b>At 30 June 2017</b>	-	-	-	-
Charge for the year	-	-	-	-
On disposals	-	-	-	-
<b>At 30 June 2018</b>	-	-	-	-
<b>NET BOOK VALUE</b>				
<b>At 30 June 2018</b>	-	26,454	-	<b>26,454</b>
At 30 June 2017	-	360	-	<b>360</b>

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12. INTANGIBLE ASSETS

### GROUP

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENSES £	TOTAL £
<b>COST</b>			
At 3 February 2017	-	-	-
Acquired through acquisition	-	107,453	<b>107,453</b>
Additions	172,337	-	<b>172,337</b>
Foreign exchange differences	-	4,287	<b>4,287</b>
<b>At 30 June 2017</b>	<b>172,337</b>	<b>111,740</b>	<b>284,077</b>
Additions	756,479	-	<b>756,479</b>
Disposals	-	-	-
Foreign exchange differences	444	526	<b>970</b>
<b>At 30 June 2018</b>	<b>929,260</b>	<b>112,266</b>	<b>1,041,526</b>
<b>AMORTISATION AND IMPAIRMENT</b>			
At 3 February 2017	-	-	-
Charge for the year	-	1,970	<b>1,970</b>
<b>At 30 June 2017</b>	<b>-</b>	<b>1,970</b>	<b>1,970</b>
Charge for the year	-	5,321	<b>5,321</b>
On disposals	-	-	-
<b>At 30 June 2018</b>	<b>-</b>	<b>7,291</b>	<b>7,291</b>
<b>NET BOOK VALUE</b>			
<b>At 30 June 2018</b>	<b>929,260</b>	<b>104,975</b>	<b>1,034,235</b>
At 30 June 2017	172,337	109,770	<b>282,107</b>

## 12. INTANGIBLE ASSETS (CONTINUED)

### COMPANY

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENSES £	TOTAL £
<b>COST</b>			
At 3 February 2017	-	-	-
Acquired through acquisition	73,412	-	73,412
Additions	-	-	-
Foreign exchange differences	-	-	-
<b>At 30 June 2017</b>	73,412	-	73,412
Additions	272,349	-	272,349
Disposals	-	-	-
<b>At 30 June 2018</b>	345,761	-	345,761
<b>AMORTISATION AND IMPAIRMENT</b>			
At 3 February 2017	-	-	-
Charge for the year	-	-	-
<b>At 30 June 2017</b>	-	-	-
Charge for the year	-	-	-
<b>At 30 June 2018</b>	-	-	-
<b>NET BOOK VALUE</b>			
<b>At 30 June 2018</b>	345,761	-	345,761
At 30 June 2017	73,412	-	73,412

## 13. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
VAT	<b>128,583</b>	17,245	<b>91,730</b>	-
Other receivables	<b>19,128</b>	443	<b>18,764</b>	-
Accrued management fee	-	-	-	275,000
	<b>147,711</b>	17,688	<b>110,494</b>	275,000

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Cash at bank	<b>4,640,896</b>	311,470	<b>4,568,933</b>	226,830
Petty cash	<b>3,493</b>	-	<b>3,493</b>	-
	<b>4,644,389</b>	311,470	<b>4,572,426</b>	226,830

## 15. TRADE AND OTHER CURRENT PAYABLES

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Trade payables	<b>46,258</b>	10,933	<b>14,258</b>	9,159
Accruals	<b>51,515</b>	179,500	<b>51,515</b>	179,500
Taxes payable	<b>4,485</b>	1,436	-	-
Other payables	<b>9,566</b>	9,503	-	-
	<b>111,824</b>	201,372	<b>65,773</b>	188,659

## 16. SHARE CAPITAL

GROUP AND COMPANY	30 JUN 2018 £	30 JUN 2017 £
Issued and fully paid Shares issued	<b>1,733,042</b>	856,323

On incorporation the company issued 20 shares of par value £0.0005 at £0.01 each, totalling £0.20.

On 10 February 2017 the company issued 12 million shares with par value of 0.05342, totalling £638,950.

On 13 February 2017, the company cancelled the 20 shares of par value £0.0005.

In April 2017, the company issued 200,000 shares with par value of £0.05342 at £0.15, totalling £30,000.

In April 2017, the company issued a further 200,000 shares with par value of £0.05342 at £0.15, totalling £30,000.

In April 2017, the company issued a further 3,757,036 shares with a par value of £0.05342 at £0.15, totalling £563,555.

In October 2017, the company issued a further 3,641,863 shares with a par value of £0.05342

On January 30, 2018 the company performed a share split on a 1:4 basis from the 19,798,899 shares issued to 79,195,596 shares in preparation for a listing on the Australian Stock Exchange ("ASX").

On February 2, 2018 the company issued 1,000,000 shares in lieu of a capital raising fee and issued on the ASX with a listing price of A\$0.20c

## 16. SHARE CAPITAL (CONTINUED)

On April 27, 2018 the company listed on the ASX and upon listing, awarded the following shares and options:

SHARE SUMMARY	NO. OF SHARES
Total shares at IPO	80,195,596
Shares issued for fees	600,000
CDIs issued on listing	50,000,000
<b>Total Shares</b>	<b>130,795,596</b>
<b>Options – see Note 17</b>	
Founder options at A\$0.20	9,000,000
Advisor options at A\$0.40	2,000,000
Executive options (various)	7,750,000
<b>Total Options</b>	<b>18,750,000</b>
<b>Fully diluted Share Capital</b>	<b>149,545,596</b>

### EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

2018	EARNINGS £	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT PENCE
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	<b>(1,928,697)</b>	<b>84,960,236</b>	<b>(2.27)</b>
Effect of dilutive securities	-	<b>6,678,082</b>	-
<b>Diluted EPS</b>			
Adjusted earnings	<b>(1,928,697)</b>	<b>91,638,318</b>	<b>(2.10)</b>
<b>2017</b>	EARNINGS £	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT PENCE
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	(292,307)	52,808,122	(0.55)
Effect of dilutive securities	-	-	-
<b>Diluted EPS</b>			
Adjusted earnings	(292,307)	52,808,122	(0.55)

The weighted average number of shares has been calculated as if the share split occurred at the start date of the comparative period presented so that the earning per share figure is comparable.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. SHARE OPTION SCHEME

During the year, the Company issued a number of share options, and the details of these are as follows:

<b>EXECUTIVE OPTIONS</b>	30C EXECUTIVE OPTIONS	40C EXECUTIVE OPTIONS	60C EXECUTIVE OPTIONS
Underlying share price (A\$)	0.200	0.200	0.200
Exercise price (A\$)	0.300	0.400	0.600
Valuation date	20 Feb 2018	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2020	1 Jul 2020	1 Jul 2020
Life of the options (years)	2.36	2.36	2.36
Volatility	135%	135%	135%
Risk free rate	2.01%	2.01%	2.01%
Number of options	2,500,000	4,250,000	2,500,000
Value per option (A\$)	0.150	0.143	0.132
Value per Tranche (A\$)	375,000	607,750	330,000

<b>OTHER OPTIONS</b>	FOUNDER	ADVISOR
Underlying share price (A\$)	0.200	0.200
Exercise price (A\$)	0.200	0.400
Valuation date	20 Feb 2018	20 Feb 2018
Expiry date	1 Jul 2023	1 Jul 2021
Life of the options (years)	5.36	3.36
Volatility	135%	135%
Risk free rate	2.45%	2.01%
Number of options	9,000,000	2,000,000
Value per option (A\$)	0.178	0.143
Value per Tranche (A\$)	1,602,000	286,000

The share options have been valued, at the grant date, using the Black Scholes model for valuing options, and the inputs included in the modelling of this are shown above.

The key uncertainty in relation to this modelling is the volatility of the underlying share prices. For the purposes of the modelling, this has been determined by assessing volatility of the shares in the 4 months since listing, which represents the only suitable basis for determining the volatility.

During the year, the founder and advisor options fully vested, and the full value of these options is therefore recognised in the year ended 30 June 2018.

The executive options are recognised over their vesting period, taking into account the number of options which are expected to vest.

## 17. SHARE OPTION SCHEME (CONTINUED)

The impact of share options on the financial statements was as follows:

	GRANT DATE FAIR VALUE £	RECOGNISED IN 2018 £
<b>Executive options</b>		
30c Executive Options	211,243	<b>67,806</b>
40c Executive Options	422,860	<b>135,733</b>
60c Executive Options	55,904	<b>12,381</b>
<b>Other options</b>		
Advisor Options	161,090	<b>161,090</b>
Founder Options	905,355	<b>905,355</b>
	1,756,452	<b>1,282,365</b>

All recognised amounts in relation to options were shown within administrative expenses in the year, within the "Employee benefit expense – share options" line in Note 5, with the exception of Advisor Options which were directly related to the Company's issue of new shares in the year and so have been recognised as a deduction from equity.

## 18. RETAINED EARNINGS AND RESERVES

The other reserves of the Company are as follows:

Retained Earnings	Includes all current and prior period retained profits and losses, less dividends paid
Other Capital Reserve	Used to recognise the value of equity-settled share-based payments. See Note 17.
Other Reserves (Foreign currency translation reserves)	Used to recognise the foreign currency movements on consolidation.

## 19. RELATED PARTIES

The Company considers personnel with the authority and responsibility for planning, directing and controlling the activities of the Company to be key management personnel.

The following amounts were incurred with respect to the Company's Directors, Chief Executive Officer and Chief Financial Officer of the Company;

	30 JUNE 2018 £	30 JUNE 2017 £
Chief Executive Officer	<b>76,000</b>	-
Chief Finance Officer	<b>29,725</b>	-
Directors Fees	<b>41,239</b>	-
Directors – Advisory Fees	<b>195,400</b>	175,000
<b>Total</b>	<b>342,364</b>	175,000

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. RELATED PARTIES (CONTINUED)

The Company engaged Swellcap Limited, as a corporate advisor, under a corporate advisory agreement which commenced on 1 February 2017. Swellcap is a related party of the Company as it is controlled by Paul Cronin, a Director of the Company. Under this agreement the Company paid £100,000 for advisory fees and £10,000 per month from 1 February 2017 (capped at £100,000) for services provided by Paul Cronin in his capacity as a Director. No further payments are due to Swellcap Limited under the terms of this agreement. The Company has also engaged Swellcap to provide the Company with corporate office facilities and services from 1 April 2018 at £5,000 per month.

The Company engaged Lancaster Corporate Pty Ltd, as a corporate advisor, under a corporate advisory agreement which commenced on 1 February 2017. Lancaster is a related party of the Company as it is controlled by Eric De Mori, a Director of the Company. Under this agreement the Company paid £50,000 for advisory fees and £10,000 per month from 1 February 2017 (capped at £100,000) for services provided by Eric De Mori in his capacity as a Director. No further payments are due to Lancaster Corporate Pty Ltd under the terms of this agreement.

These fees are included in Directors – Advisory Fees in the above table.

In addition to the above analysis, the share options granted during the year shown in Note 17 represent related party transactions, with the founder options paid to shareholders of the Company, and the Executive options paid to key management personnel.

## 20. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2018.

## 21. EVENTS AFTER THE REPORTING DATE

On September 4, 2018 the Company announced that the Federal Ministry of Mining within the Federation of Bosnia & Herzegovina ("FERMI") has provided written acknowledgment of the completion of the Reserves Elaborat for the Veovaca deposit, which forms part of the broader Vareš Project, representing a major milestone toward the issue of the Exploitation Permit.

## 22. FINANCIAL INSTRUMENTS

The notes contained within the significant accounting policies section provide a description of each category of financial assets and financial liabilities and the related accounting policies.

The carrying amounts of financial assets and financial liabilities not carried at fair value through the income statement (FVTPL) approximate their fair values.

A description of the Group's financial instrument risks, including risk management objectives and policies is given in note 23.

The carrying amounts of financial assets and financial liabilities in each category (excluding prepayments, deferred income, accrued income and expense) are included in the consolidated financial statements as follows:

	GROUP		COMPANY	
	2018 £	2017 £	2018 £	2017 £
Cash and cash equivalents	<b>4,644,389</b>	311,470	<b>4,572,426</b>	226,830
Trade and other receivables	<b>19,128</b>	443	<b>18,764</b>	275,000
<b>Loans and receivables</b>	<b>4,663,517</b>	311,913	<b>4,591,190</b>	501,830
Trade and other payables	<b>107,339</b>	199,936	<b>65,773</b>	188,659
<b>Financial liabilities</b>	<b>107,339</b>	199,936	<b>65,773</b>	188,659

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### **CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

### **FINANCIAL RISK FACTORS**

The Group is exposed to market risk, foreign currency risk, credit risk and liquidity risk. Within each of the operating subsidiaries, the entities senior management oversees the management of these risks for their operations and periodically identify measure and manage these risks. These risks are summarised below.

#### **MARKET RISK**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Given that the company is not yet selling any minerals this is not a risk that affects the company in the current year however when the company does begin to trade in minerals it is a risk that will have to be considered given the volatility of mineral prices.

#### **FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's subsidiary company operating in Bosnian Mark while the Group's presentation currency is that of British Pound. If the rate of the Bosnian Mark were to increase this would have a negative impact on the turnover and profit of the Group.

See the below sensitivity analysis for details of the possible impacts.

YEAR ENDED 30 JUNE 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### GROUP FOREIGN CURRENCY SENSITIVITY ANALYSIS

The following table demonstrates the sensitivity to a possible change in the Bosnian Mark exchange rates, with all other variables held constant and the impact on the Group's profit before tax to changes in the fair value of monetary assets and liabilities.

30 JUNE 2018	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
<b>Increase in foreign exchange rate of 10%</b> Bosnian Mark	<b>15,155</b>	<b>(120,351)</b>
<b>Decrease in foreign exchange rate of 10%</b> Bosnian Mark	<b>(18,523)</b>	<b>147,096</b>
<b>30 JUNE 2017</b>	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
<b>Increase in foreign exchange rate of 10%</b> Bosnian Mark	2,299	(77,371)
<b>Decrease in foreign exchange rate of 10%</b> Bosnian Mark	(2,810)	94,566

The movement in profit or loss is a result of a change in the fair value of assets and liabilities denominated in Bosnian Mark where the functional currency of the entity is a currency other than the entity's reporting currency.

The movement in equity arises from changes in foreign currency offsetting the translation of foreign operations' net assets into £.

As can be seen from the above analysis the profit and loss would not be materially affected however equity could be affected with a slight movement in foreign exchange rates.

In addition to investments in foreign subsidiaries denominated in Bosnian Marks, at the year-end the Group held financial assets denominated in other currencies, as follows:

30 JUNE 2018	30 JUNE 2018	30 JUNE 2017
Amounts in Euros	<b>€ 1,827,922</b>	€ -
Amounts in Australian Dollars	<b>A\$ 4,834,668</b>	A\$ -

A 10% movement in the exchange rates with these currencies would have an impact of 10% of the above on both losses and equity.

### CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including taxes receivable, foreign exchange transactions and other financial instruments. Management do not consider that the Group has significant exposure to credit risk.

### LIQUIDITY RISK

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company does not face significant liquidity risks and uncertainties as they are currently in a net asset position.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

# INDEPENDENT AUDITOR'S REPORT

## ADRIATIC METALS PLC

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS PLC**

#### **OPINION**

We have audited the consolidated financial statements of Adriatic Metals Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 June 2018, which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

#### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<i>Impairment of exploration and evaluation assets and investment in subsidiary company</i>	In accordance with IFRS 6 we reviewed the exploration and evaluation (E&E) assets for indications of impairment.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

# INDEPENDENT AUDITOR'S REPORT

The Group has capitalised significant costs in respect of its mining exploration activities, in accordance with IFRS 6 'Exploration for Evaluation of Mineral Resources' (IFRS 6), therefore there is a risk of impairment.

The results from the exploration activity are key to ensuring that future commercialisation will be achievable and that there are no indications of impairment, as well as the good standing of the licences in place.

The Company also has a significant investment in its subsidiary, the carrying value of which is linked to the underlying exploration asset. Therefore there is also a risk of impairment of the investments.

We have reviewed the assets for indications of impairment, considered and discussed the Groups forecasts and impairment reviews and obtained evidence that the licences remain in good standing.

Based on the above, no indications of impairment were noted.

## OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- **Overall materiality** - We determine materiality for the consolidated financial statements as a whole to be £130,000. This was based on the key performance indicator, being 2% of gross assets. We believe gross asset values are the most appropriate bench mark due to the minimal income statement activity during the year and existence of key balance sheet items.
- **Performance materiality** - On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the consolidated financial statements should be 55% of materiality, amounting to £70,000.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group and Company, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-valuated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

## **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in 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 there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. 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.

## **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

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 Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group consolidated financial statements 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group and 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.

TO THE SHAREHOLDERS OF ADRIATIC METALS PLC

# INDEPENDENT AUDITOR'S REPORT

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

## USE OF OUR REPORT

This report is made solely to the 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 Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Stephen Banks** (Senior Statutory Auditor)

for and on behalf of

### Lubbock Fine

Chartered Accountants & Statutory Auditors

3rd Floor Paternoster House  
65 St Paul's Churchyard  
London  
EC4M 8AB

Date: 26 September 2018

# ASX ADDITIONAL INFORMATION

## SHAREHOLDINGS

The issued capital of the Company as at 11 September 2018 is 130,795,596 fully paid ordinary shares. All issued ordinary shares carry one vote per share and carry the rights to dividends.

## DISTRIBUTION OF ORDINARY SHARES

RANGE	TOTAL HOLDERS	SHARES	% SHARES
1 - 1,000	32	9,511	0.01
1,001 - 5,000	103	302,835	0.23
5,001 - 10,000	109	967,333	0.74
10,001 - 100,000	307	11,750,819	8.98
100,001 Over	116	117,765,098	90.04
Rounding			0.00
<b>Total</b>	<b>667</b>	<b>130,795,596</b>	<b>100.00</b>

## UNMARKETABLE PARCELS AS AT 11 SEPTEMBER 2018

	MINIMUM PARCEL SIZE	HOLDERS	SHARES
Minimum \$ 500	1,266	45	24,458

## TOP 20 SHAREHOLDERS AS AT 11 SEPTEMBER 2018

RANK	NAME	SHARES	% SHARES
1	MR MILOS BOSNJAKOVIC	16,000,000	12.23
2	SANDFIRE RESOURCES NL	10,000,000	7.65
3	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	9,148,192	6.99
4	MR PAUL DAVID CRONIN	8,425,668	6.44
5	MRS REBECCA CRONIN	8,425,664	6.44
6	CITICORP NOMINEES PTY LIMITED	5,864,574	4.48
7	MR CHARLES WAITE MORGAN	5,478,112	4.19
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,661,184	3.56
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,750,767	2.10
10	MR ALBERTO LAVANDEIRA ADAN	2,666,664	2.04
11	NATIONAL NOMINEES LIMITED	2,000,000	1.53
12	J P MORGAN NOMINEES AUSTRALIA LIMITED	1,943,355	1.49
13	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	1,655,808	1.27
14	BPM CAPITAL LIMITED	1,380,000	1.06
15	UBS NOMINEES PTY LTD	1,350,000	1.03
16	MR EAN BRANSTON	1,333,336	1.02
17	ASHANTI INVESTMENT FUND PTY LTD <ASHANTI INVESTMENT FUND A/C>	1,300,000	0.99
18	GREAT AUSTRALIA CORPORATION PTY LTD	1,250,000	0.96
19	ILWELLA PTY LTD	1,162,000	0.89
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	1,090,000	0.83
<b>Total</b>		<b>87,885,324</b>	<b>67.19%</b>

# ASX ADDITIONAL INFORMATION

## SUBSTANTIAL SHAREHOLDERS AS AT 11 SEPTEMBER 2018

As at 11 September 2018 there were four shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act. 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.

NAME	SHARES	% OF ISSUED CAPITAL
Paul Cronin	16,851,332	12.88%
Milos Bosnjakovic	16,000,000	12.23%
Eric de Mori	11,054,000	8.45%
Sandfire Resources NL	10,000,000	7.65%

## VOTING RIGHTS

The Company is incorporated under the legal jurisdiction of England and Wales. To enable companies such as 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.

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:

- (i) 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
- (ii) 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
- (iii) 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 the Companies Act 2006 (England and Wales). 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.



[www.adriaticmetals.com](http://www.adriaticmetals.com)



**Adriatic Metals**

PART 3

ADRIATIC METALS PLC CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE  
PERIOD FROM 3 FEBRUARY 2017 TO 30 JUNE 2017

**Registered number: 10599833**

**ADRIATIC METALS LIMITED AND  
SUBSIDIARY UNDERTAKINGS**

**CONSOLIDATED FINANCIAL  
STATEMENTS**

**PERIOD FROM 3 FEBRUARY 2017 TO  
30 JUNE 2017**

**LUBBOCK FINE  
Chartered Accountants  
Paternoster House  
65 St Paul's Churchyard  
London EC4M 8AB**

ADRIATIC METALS LIMITED

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PERIOD ENDED 30 JUNE 2017

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**ADRIATIC METALS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

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**The board of directors**

P Cronin  
E De Mori  
C Morgan

**Company secretary**

S Duffy

**Registered office**

10 Pine House  
The Square  
Stow On The Wold  
Gloucestershire  
United Kingdom  
GL54 1AF

**Auditor**

Lubbock Fine  
Chartered Accountants  
& Statutory Auditor  
Paternoster House  
65 St Paul's Churchyard  
London EC4M 8AB

## ADRIATIC METALS LIMITED

### DIRECTORS' REPORT

#### PERIOD ENDED 30 JUNE 2017

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The directors have pleasure in presenting their report and the consolidated financial statements of the Group for the period ended 30 June 2017. The consolidated financial statements comprise the financial statements of Adriatic Metals Limited, "the Company", and its subsidiary undertakings.

#### DIRECTORS

The directors who served the Company during the year were as follows:

P Cronin (Appointed 3 February 2017)  
E De Mori (Appointed 10 August 2017)  
C Morgan (Appointed 16 February 2017, resigned 10 August 2017)  
M Bosnjakovic (Appointed 17 February 2017, resigned 27 February 2017)

#### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable UK Company law. 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 Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ADRIATIC METALS LIMITED  
DIRECTORS' REPORT  
PERIOD ENDED 30 JUNE 2017

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**AUDITOR**

Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.


The directors at the date of the approval of this report confirm that:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**SMALL COMPANIES NOTE**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 412A of the Companies Act 2006.

Signed on behalf of the directors

  
Mr P Crenin  
Director

Approved by the director on 25/1/18

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS LIMITED**

---

**OPINION**

We have audited the Group and Company financial statements of Adriatic Metals Limited for the 5 month period ended 30 June 2017 which comprise consolidated statement of profit or loss and other comprehensive income, the company and consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the 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 Company's members those matters we are required to state to them in an Auditors' 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30 June 2017 and of the Group's profit for the year then ended;
- the Group and Company's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**CONCLUSIONS RELATING TO GOING CONCERN**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**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 Auditors' 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## ADRIATIC METALS LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADRIATIC METALS LIMITED

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#### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's Report has been prepared in accordance with applicable legal requirements.

#### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

#### RESPONSIBILITIES OF DIRECTORS

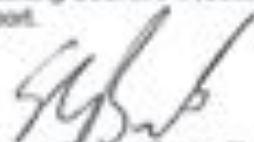
As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the 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 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 Company or to cease operations, or have no realistic alternative but to do so.

#### AUDITORS' 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 Auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

  
Stephen Marks (Senior Statutory Auditor)  
For and on behalf of  
Lubbock Fine  
Chartered Accountants  
& Statutory Auditor

Date: 26 January 2016

Paternoster House  
65 St Paul's Churchyard  
London EC4M 8AB

ADRIATIC METALS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

PERIOD ENDED 30 JUNE 2017

	Note	Period from 3 Feb 2017 to 30 Jun 2017 £
<b>REVENUE</b>		
Sale of services		1,519
<b>GROSS PROFIT</b>		<u>1,519</u>
Administrative expenses	5	(286,461)
<b>OPERATING LOSS</b>		<u>(284,942)</u>
Finance costs	6	(7,365)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>		<u>(292,307)</u>
Tax	7	-
<b>LOSS FROM CONTINUING OPERATIONS</b>		<u>(292,307)</u>
Other comprehensive income	8	25,402
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(266,905)</u>

All the activities of the group are classed as continuing.

The Company has taken advantage of section 406 of the Companies Act 2006 not to publish its own statement of profit or loss.

The notes on pages 11 to 30 form part of these financial statements.

ADRIATIC METALS LIMITED

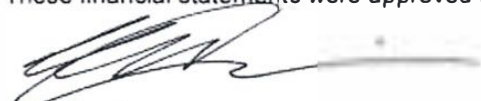
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Period from 3 Feb 2017 to 30 Jun 2017 £
<b>NON-CURRENT ASSETS</b>		
Intangible assets	10	282,107
Tangible assets	9	585,686
		<u>867,793</u>
<b>CURRENT ASSETS</b>		
Inventories		22
Trade and other receivables	11	17,688
Cash and cash equivalents		311,470
		<u>329,180</u>
<b>TOTAL ASSETS</b>		<u>1,196,973</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	13	856,323
Share premium	13	406,183
Other reserves	14	25,402
Retained deficit	14	(292,307)
<b>TOTAL EQUITY</b>		<u>995,601</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	12	201,372
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,196,973</u>

The notes on pages 11 to 30 form part of these financial statements.

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



Mr P Cronin  
Director

Date: 25 / 1 / 18

Company Registration Number: 10599833

ADRIATIC METALS LIMITED  
 COMPANY STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2017

	Note	Period from 3 Feb 2017 to 30 Jun 2017 £
<b>NON-CURRENT ASSETS</b>		
Investments	4	883,545
Intangible assets	10	73,412
Tangible assets	9	360
		957,317
<b>CURRENT ASSETS</b>		
Trade and other receivables	11	275,000
Cash and cash equivalents		226,830
		501,830
<b>TOTAL ASSETS</b>		1,459,147
<b>Equity</b>		
Share capital	13	856,323
Share premium	13	406,183
Retained earnings	14	7,982
<b>TOTAL EQUITY</b>		1,270,488
<b>CURRENT LIABILITIES</b>		
Trade and other payables	12	188,659
<b>TOTAL EQUITY AND LIABILITIES</b>		1,459,147

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

  
 Mr P Cronin  
 Director

Date: 25/1/18

Company Registration Number: 10599833

*The notes on pages 11 to 30 form part of these financial statements.*

## ADRIATIC METALS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 30 JUNE 2017

	Share Capital €	Share Premium €	Retained earnings €	Other Reserves (Foreign currency translation reserves) €	Total €
As at 3 February 2017	-	-	-	-	-
Loss for the period	-	-	(292,307)	-	(292,307)
Issue of share capital	856,323	406,183	-	-	1,262,506
Other comprehensive income	-	-	-	25,402	25,402
At at 30 June 2017	856,323	406,183	(292,307)	25,402	995,601

The notes on pages 11 to 30 form part of these financial statements.

## ADRIATIC METALS LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD ENDED 30 JUNE 2017

	Period ended 30 Jun 17 €
<b>Loss</b>	(292,307)
Foreign exchange difference on consolidation	25,402
Depreciation and amortisation	2,394
<b>Working capital adjustments:</b>	
Increase in trade and other receivables	(17,210)
Increase in inventories	(22)
Increase in trade and other payables	186,858
<b>Net cash flows used in operating activities</b>	<u>(94,885)</u>
<b>Investing activities</b>	
Purchase of property, plant and equipment	(39,920)
Purchase of intangible assets	(176,624)
Acquisition of subsidiary undertaking	(426,624)
<b>Net cash flows used in investing activities</b>	<u>(643,168)</u>
<b>Financing activities</b>	
Issue of share capital	1,049,523
<b>Net cash flows generated from financing activities</b>	<u>1,049,523</u>
<b>Net increase in cash and cash equivalents</b>	311,470
Cash and cash equivalents at 3 Feb 2017	-
<b>Cash and cash equivalents at 30 June 2017</b>	<u>311,470</u>

The notes on pages 11 to 30 form part of these financial statements.

**ADRIATIC METALS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 JUNE 2017**

---

**1. CORPORATE INFORMATION**

The consolidated financial statements present the financial information of Adriatic Metals and its subsidiaries (collectively, the Group) for the year ended 30 June 2017. Adriatic Metals Limited (the Company or the parent) is a limited company incorporated in England & Wales. The registered office is located at 10 Pine House, The Square, Stow On The Wold, Gloucestershire, United Kingdom, GL54 1AF.

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

Information on the Group's structure is provided in Note 4.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The consolidated 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"), and with the Companies Act 2006.

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

The principal accounting policies adopted by the Group in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

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

**Going concern**

The Group incurred a loss of £292,307 in the period however the Group also had a net asset position at the balance sheet date.

The Company and Group meet their day to day working capital requirements by support of investors. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the Company and the Group will continue in operational existence for the foreseeable future on the basis of the Group's plans and the continued support of investors.

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.

2. ACCOUNTING POLICIES (continued)

**Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interest is recognised in equity of the parent in transactions where the non-controlling interest is acquired or sold without loss of control. The Group has elected to recognise this effect in retained earnings.

**Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised as the non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

**2. ACCOUNTING POLICIES (continued)**

**Foreign currencies**

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Group's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency which is the currency of the primary economic environment in which the entity operates (the local functional currency).

**Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

**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.

**2. ACCOUNTING POLICIES (continued)**

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**2. ACCOUNTING POLICIES (continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

**2. ACCOUNTING POLICIES (continued)**

**Deferred tax (continued)**

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

**Sales tax**

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**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.

**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.

**2. ACCOUNTING POLICIES (continued)**

**Exploration and Evaluation Expenditure (continued)**

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.

**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in profit or loss as incurred.

Property, plant and equipment transferred from acquisitions are initially measured at the fair value at the date on which control is obtained.

Land and buildings are measured at cost less accumulated depreciation on buildings and impairment losses.

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

- Land & buildings – Not depreciated
- Plant & equipment – 15%
- Office Equipment – 15%
- Vehicles – 15%
- Assets under construction – Not depreciated

**2. ACCOUNTING POLICIES (continued)**

**Property, plant and equipment (continued)**

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

**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.

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 & Licenses – 5%

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

**2. ACCOUNTING POLICIES (continued)**

**Provisions and contingencies**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

**Contingent liabilities recognised in a business combination**

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the requirements for revenue recognition.

**Standards issued but not yet effective**

Standards issued and not yet effective for the Group's financial statements for the period ended 30 June 2017 are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

**2. ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations**

*IFRS 9 Financial Instruments*

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

*IFRS 16 Leases*

IFRS 16, 'Leases' deals with recognition, measurement, presentation and disclosure of leases. The standard provides a single accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less. Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

## 2. ACCOUNTING POLICIES (continued)

### Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, the following is an area where particular judgement is required:

### 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.

## 3. SEGMENT INFORMATION

It is the opinion of the directors that the operations of the Group represent one segment, as they are treated as such when evaluating performance.

## 4. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Principal activities	Country of Incorporation	% equity interest
Eastern Mining d.o.o	Mining exploration	Bosnia and Herzegovina	100

## ACQUISITIONS IN PERIOD ENDED 30 JUNE 2017

On 28 February 2017, the Group acquired 100% of the share capital of Eastern Mining d.o.o ("Eastern Mining"), a company holding certain exploration licences, for €500,000 cash and 4,000,000 shares in the Company. Eastern Mining has been acquired to gain access to additional mineral reserves for the Group.

## Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of Eastern Mining as at the date of acquisition were as follows:

	Fair value €
<b>Assets</b>	
Intangible Assets	107,453
Property, plant and equipment	546,190
Other current assets	478
Cash and cash equivalents	(657)
	<u>653,464</u>
<b>Liabilities</b>	
Trade and other payables	(14,514)
	<u>638,950</u>
<b>Total identifiable assets at fair value</b>	<u>638,950</u>

Due to the early stage nature of the company acquired and the nature of its operations, the directors do not consider that any goodwill was acquired on acquisition. Any excess in amount paid is reflected in a fair value uplift in the licences acquired.

## ADRIATIC METALS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

## 4. GROUP INFORMATION (continued)

## Acquisition-date fair value of consideration transferred

	£
Cash paid	425,967
Fair Value of shares issued	212,983
<b>Consideration transferred</b>	<u>638,950</u>

The cash outflow on acquisition is as follows:

	£
Net cash acquired with the subsidiary	(657)
Cash paid	(425,967)
<b>Net consolidated cash outflow</b>	<u>(426,624)</u>

From the date of acquisition on 28 February 2017 to 30 June 2017, Eastern Mining contributed £1,519 to Group revenue and (£25,289) to Group loss. Due to the timing of the acquisition if this had taken place at the beginning of the period, Group revenue and loss for the period to 30 June 2017 would have been materially the same as that shown in the Consolidated Statement of Comprehensive Income.

## COMPANY INVESTMENTS

	<b>Investment in subsidiaries</b>
	<b>£</b>
<b>COST</b>	
Acquisition of subsidiary undertaking	638,950
Additions	244,595
<b>At 30 June 2017</b>	<u>883,545</u>

## ADRIATIC METALS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

## 5. ADMINISTRATIVE EXPENSES

	2017 €
Wages and salaries	60,378
Consultancy fees	175,000
Depreciation	424
Amortisation	1,970
Other costs	48,689
	<u>286,461</u>

## 6. FINANCE COSTS

	2017 €
Foreign currency movements	7,365
	<u>7,365</u>

## 7. INCOME TAX

No liability to UK corporation tax arose on ordinary activities for the period ended 30 June 2017.

## Reconciliation of total tax charge included in profit and loss

	€
Loss before tax	(292,307)
Loss multiplied by the standard rate of corporation tax in the UK 19%	(55,538)
Effects of: Losses carried forward	55,538
Total tax charge	<u>-</u>

## 8. OTHER COMPREHENSIVE INCOME

	2017 €
Foreign exchange differences on consolidation	<u>25,402</u>

## 9. TANGIBLE ASSETS

GROUP	Land & buildings	Plant & equipment	Assets under Construction	Total
	€	€	€	€
<b>COST</b>				
At 3 February 2017	-	-	-	-
Acquired through acquisition	546,190	-	-	546,190
Additions	-	19,055	4,693	23,748
Foreign exchange differences	16,172	-	-	16,172
<b>At 30 June 2017</b>	<b>562,362</b>	<b>19,055</b>	<b>4,693</b>	<b>586,110</b>
<b>DEPRECIATION</b>				
At 3 February 2017	-	-	-	-
Charge for the year	-	424	-	424
<b>At 30 June 2017</b>	<b>-</b>	<b>424</b>	<b>-</b>	<b>424</b>
<b>NET BOOK VALUE</b>				
<b>At 30 June 2017</b>	<b>562,362</b>	<b>18,631</b>	<b>4,693</b>	<b>585,686</b>
<b>COMPANY</b>				
	€	€	€	€
<b>COST</b>				
At 3 February 2017	-	-	-	-
Additions	-	360	-	360
Disposals	-	-	-	-
<b>At 30 June 2017</b>	<b>-</b>	<b>360</b>	<b>-</b>	<b>360</b>
<b>DEPRECIATION</b>				
At 3 February 2017	-	-	-	-
Charge for the year	-	-	-	-
On disposals	-	-	-	-
<b>At 30 June 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET BOOK VALUE</b>				
<b>At 30 June 2017</b>	<b>-</b>	<b>360</b>	<b>-</b>	<b>360</b>

## ADRIATIC METALS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

## 10. INTANGIBLE ASSETS

GROUP	Exploration & Evaluation Assets €	Patents and Licenses €	Total €
<b>COST</b>			
At 3 February 2017	-	-	-
Acquired through acquisition	-	107,453	107,453
Additions	172,337	-	172,337
Foreign exchange differences	-	4,287	4,287
<b>At 30 June 2017</b>	<b>172,337</b>	<b>111,740</b>	<b>284,077</b>
<b>AMORTISATION AND IMPAIRMENT</b>			
At 3 February 2017	-	-	-
Charge for the year	-	1,970	1,970
<b>At 30 June 2017</b>	<b>-</b>	<b>1,970</b>	<b>1,970</b>
<b>NET BOOK VALUE</b>			
<b>At 30 June 2017</b>	<b>172,337</b>	<b>109,770</b>	<b>282,107</b>
<b>COMPANY</b>			
<b>COST</b>			
At 3 February 2017	-	-	-
Additions	73,412	-	73,412
Disposals	-	-	-
Acquired through acquisition	-	-	-
<b>At 30 June 2017</b>	<b>73,412</b>	<b>-</b>	<b>73,412</b>
<b>AMORTISATION AND IMPAIRMENT</b>			
At 3 February 2017	-	-	-
Charge for the year	-	-	-
On disposals	-	-	-
Foreign exchange differences	-	-	-
<b>At 30 June 2017</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET BOOK VALUE</b>			
<b>At 30 June 2017</b>	<b>73,412</b>	<b>-</b>	<b>73,412</b>

## ADRIATIC METALS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2017

## 11. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP 2017 €	COMPANY 2017 €
VAT	17,245	-
Other receivables	443	-
Accrued management fee	-	275,000
	<u>17,688</u>	<u>275,000</u>

## 12. TRADE AND OTHER CURRENT PAYABLES

	GROUP 2017 €	COMPANY 2017 €
Trade payables	10,933	9,159
Accruals	179,500	179,500
Taxes Payable	1,436	-
Other payables	9,503	-
	<u>201,372</u>	<u>188,659</u>

## 13. SHARE CAPITAL

GROUP AND COMPANY	2017 €
<b>Issued and fully paid</b>	
16,157,036 Ordinary shares of €0.053 each	<u>856,323</u>

On incorporation the company issued 20 shares of par value €0.0005 at €0.01 each, totalling €0.20.

On 10 February 2017 the company issued 12 million shares with par value of 0.05342, totalling €638,950.

On 13 February 2017, the company cancelled the 20 shares of par value €0.0005.

In April 2017, the company issued 200,000 shares with par value of €0.05342 at €0.15, totalling €30,000.

In April 2017, the company issued a further 200,000 shares with par value of €0.05342 at €0.15, totalling €30,000.

In April 2017, the company issued a further 3,757,036 shares with a par value of €0.05342 at €0.15, totalling €563,555.

## 14. RETAINED EARNINGS AND RESERVES

GROUP	Retained Earnings €	Other Reserves €	Total €
At 3 February 2017			
Loss for the year	(467,307)	-	(467,307)
Foreign exchange gain on consolidation	-	25,402	25,402
At 30 June 2017	<u>(467,307)</u>	<u>25,402</u>	<u>(441,905)</u>
COMPANY	Retained Earnings €	Other Reserves €	Total €
At 3 February 2017	-	-	-
Profit for the year	7,982	-	7,982
At 30 June 2017	<u>7,982</u>	<u>-</u>	<u>7,982</u>

## 15. RELATED PARTIES

During the year the Group was charged key management personnel services of €175,000 by other related parties. At the balance sheet date these amounts were outstanding, and are unsecured and interest free.

## 16. COMMITMENTS AND CONTINGENCIES

The company had no commitments as at 30 June 2017.

## 17. EVENTS AFTER THE REPORTING DATE

On 30 October 2017 the Company issued a further 3,606,663 shares at €0.30 each, increasing issued share capital by €1,081,999.

## 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

### Financial Risk Factors

The Group is exposed to market risk, foreign currency risk, credit risk and liquidity risk. Within each of the operating subsidiaries, the entities senior management oversees the management of these risks for their operations and periodically identify measure and manage these risks. These risks are summarised below.

#### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Given that the company is not yet selling any minerals this is not a risk that affects the company in the current year however when the company does begin to trade in minerals it is a risk that will have to be considered given the volatility of mineral prices.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's subsidiary company operating in Bosnian Mark while the Group's presentation currency is that of British Pound. If the rate of the Bosnian Mark were to increase this would have a negative impact on the turnover and profit of the Group.

See the below sensitivity analysis for details of the possible impacts.

#### Group Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a possible change in the Bosnian Mark exchange rates, with all other variables held constant and the impact on the Group's profit before tax to changes in the fair value of monetary assets and liabilities.

## 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

30 June 2017	Effect on profit or loss	Effect on equity
	€	€
Increase in foreign exchange rate of 10%		
Bosnian Mark	2,299	(77,371)
Decrease in foreign exchange rate of 10%		
Bosnian Mark	(2,810)	94,566

The movement in profit or loss is a result of a change in the fair value of assets and liabilities denominated in Bosnian Mark where the functional currency of the entity is a currency other than the entity's reporting currency.

The movement in equity arises from changes in foreign currency offsetting the translation of foreign operations' net assets into E.

As can be seen from the above analysis the profit and loss would not be materially affected however equity could be affected with a slight movement in foreign exchange rates.

- **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financing activities, including taxes receivable, foreign exchange transactions and other financial instruments.

- **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company does not face significant liquidity risks and uncertainties as they are currently in a net asset position.

## 19. FAIR VALUE

The fair value of the Group's and Company's financial assets and financial liabilities are materially consistent with their carrying value.



