Registered number: 10599833

ADRIATIC METALS PLC AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)

SIX MONTHS ENDED 31 DECEMBER 2018

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ADRIATIC METALS PLC

DIRECTORS' REPORT

SIX MONTHS ENDED 31 DECEMBER 2018

The directors have pleasure in presenting their report and the consolidated interim financial statements of the Group for the six months ended 31 December 2018. The consolidated interim financial statements comprise the financial statements of Adriatic Metals PLC, "the Company", and its subsidiary undertakings.

DIRECTORS

The directors who served the Company during the six months were as follows:

P Cronin
E De Mori
P Bilbe
J Barnes
M Bosnjakovic (Appointed 13 July 2018)

Signed on behalf of the directors

Mr P Cronin
Director

Approved by the director on 18th February 2019

ADRIATIC METALS PLC

CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 DECEMBER 2018

	Six months ended 31 Dec 2018 £	Six months ended 31 Dec 2017 £
REVENUE		
Sale of services	-	-
GROSS PROFIT	-	-
Administrative expenses	(717,663)	(418,655)
OPERATING LOSS	(717,663)	(418,655)
Finance (loss) / income	(130,187)	6,008
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	(847,850)	(412,647)
Tax	-	-
LOSS FROM CONTINUING OPERATIONS	(847,850)	(412,647)
Other comprehensive income	26,572	8,173
TOTAL COMPREHENSIVE INCOME	(821,278)	(404,474)

All the activities of the group are classed as continuing.

The notes on pages 6 to 10 form part of these financial statements.

ADRIATIC METALS PLC

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	31 Dec 2018 £	30 Jun 2018 £
NON-CURRENT ASSETS			
Intangible assets	**3**	2,715,771	1,034,235
Tangible assets		644,462	626,308
		3,360,233	1,660,543
CURRENT ASSETS			
Inventories		-	-
Trade and other receivables		324,500	147,711
Cash and cash equivalents		7,761,352	4,644,389
		8,085,852	4,792,100
TOTAL ASSETS		11,446,085	6,452,643
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	**4**	1,993,895	1,733,042
Share premium		11,019,836	5,515,049
Other capital reserves		1,282,365	1,282,365
Other reserves		57,939	31,367
Retained deficit		(3,068,854)	(2,221,004)
TOTAL EQUITY		11,285,181	6,340,819
CURRENT LIABILITIES			
Trade and other payables		160,904	111,824
TOTAL EQUITY AND LIABILITIES		11,446,085	6,452,643

The notes on pages 6 to 10 form part of these financial statements.

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

Mr P Cronin
Director

Date: 18th February 2019

Company Registration Number: 10599833

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 31 DECEMBER 2018

	Share Capital	Share Premium	Other capital reserve	Retained deficit	Other Reserves (Foreign currency translation reserves)	Total
	£	£	£	£	£	£
As at 1 July 2017	856,323	406,183	-	(292,307)	25,402	995,601
Loss for the period	-	-	-	(412,647)	-	(412,647)
Issue of share capital	194,548	886,058	-	-	-	1,080,606
Reclassification	5,342	(5,342)	-	-	-	-
Other comprehensive income	-	-	-	-	8,173	8,173
As at 31 December 2017	1,056,213	1,286,899	-	(704,954)	33,575	1,671,733
As at 1 July 2018	1,733,042	5,515,049	1,282,365	(2,221,004)	31,367	6,340,819
Loss for the period	-	-	-	(847,850)	-	(847,850)
Issue of share capital	260,853	5,504,787	-	-	-	5,765,640
Issue of options	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	26,572	26,572
As at 31 December 2018	1,993,895	11,019,836	1,282,365	(3,068,854)	57,939	11,285,181

The notes on pages 6 to 10 form part of these financial statements.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 31 DECEMBER 2018

	Six months ended 31 Dec 18 £	Six months ended 31 Dec 17 £
Loss	(847,850)	(412,647)
Foreign exchange difference on consolidation	18,244	8,174
Depreciation and amortisation	7,189	2,400
Working capital adjustments:		
Increase in trade and other receivables	(176,790)	(21,657)
Increase in inventories	-	22
Increase in trade and other payables	49,081	220,370
Net cash flows used in operating activities	(950,126)	(203,338)
Investing activities		
Purchase of property, plant and equipment	(1,698,551)	(341,761)
Purchase of intangible assets	-	(35,021)
Net cash flows used in investing activities	(1,698,551)	(376,782)
Financing activities		
Issue of share capital	5,765,640	1,080,606
Net cash flows generated from financing activities	5,765,640	1,080,606
Net increase in cash and cash equivalents	3,116,963	500,486
Cash and cash equivalents, beginning of period	4,644,389	311,470
Cash and cash equivalents, end of period	7,761,352	811,956

The notes on pages 6 to 10 form part of these financial statements.

1. CORPORATE INFORMATION

The consolidated interim financial statements present the financial information of Adriatic Metals PLC and its subsidiaries (collectively, the Group) for the six months period ended 31 December 2018. Adriatic Metals PLC (the Company or the Parent) is a public limited company incorporated in England & Wales. The registered office is located at Second Floor, Stamford House, Cheltenham, United Kingdom, GL50 1HN.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

A comprehensive summary of the principal accounting policies adopted by the Group is presented in the statutory financial statements for the year ended 30 June 2018. A number of the significant accounting policies have been repeated below due to their importance in relation to the interim financial statements.

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

Going concern

The Group incurred a loss of £847,850 (31 December 2017: £412,647) 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)*

Group companies

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

Exploration and Evaluation Expenditure
Pre-licence costs
Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

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.

2. ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an exploration and evaluation asset (that does not represent a business) are also capitalised.

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

Intangible assets

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

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

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

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

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

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

Patents & Licences – 5%

3. INTANGIBLE ASSETS

GROUP	31 Dec 2018 £	30 June 2018 £
COST		
Exploration and evaluation assets	2,201,513	929,260
Patents and licences	524,906	112,266
Total cost	2,726,419	1,041,526
AMORTISATION AND IMPAIRMENT		
Exploration and evaluation assets	-	-
Patents and licences	10,648	7,291
Total accumulated amortisation	10,648	7,291
Net book value	2,715,771	1,034,235

4. SHARE CAPITAL

GROUP AND COMPANY	31 Dec 2018 £	30 June 2018 £
Issued and fully paid		
Shares issued	1,993,895	1,733,042

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 Securities' 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.

On November 20, 2018 the company issued 19,686,991 shares for a capital raise on the ASX at A$0.55c.

5. 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 in the period with respect to the Company's Directors, Chief Executive Officer and Chief Financial Officer of the Company.

	6 months to December 31 2018 £	6 months to 31 December 2017 £
Chief Executive Officer	75,000	25,500
Chief Finance Officer	25,002	4,167
Directors Fees	85,635	-
Directors – Advisory Fees	30,000	175,000

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Chartered Accountants

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The Directors
Adriatic Metals PLC
Stamford House
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Cheltenham
Gloucestershire
GL50 1HN

Dear Sirs

Report on Review of Interim Financial Information – Adriatic Metals PLC

Introduction
We have reviewed the accompanying consolidated interim statement of financial position of Adriatic Metals PLC as of 31 December 2018 and the related statements of income and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Accordingly, we do not express an audit opinion.

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

Lubbock Fine

Lubbock Fine
Date: 18/02/19