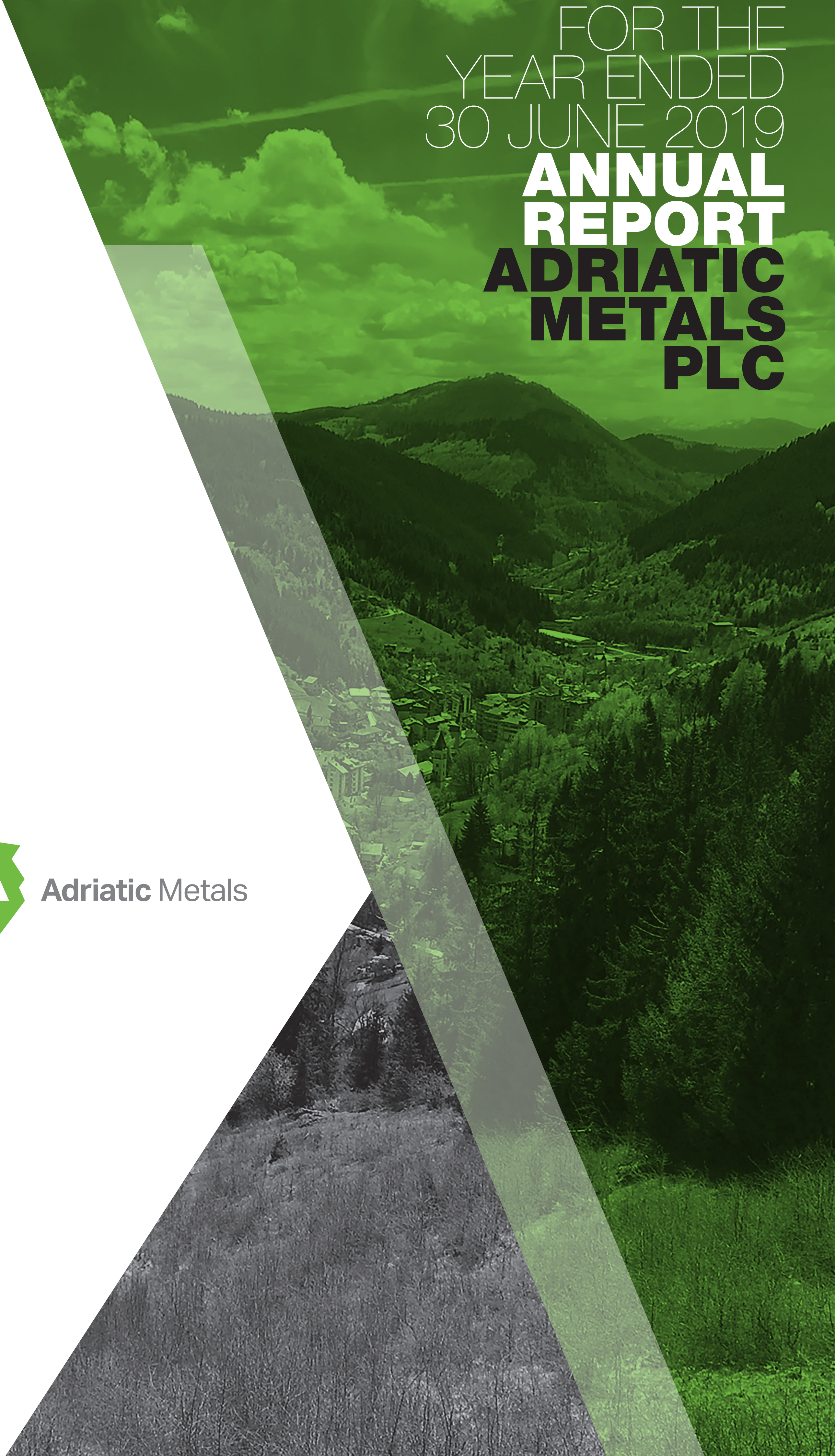
FOR THE YEAR ENDED 30 JUNE 2019 ANNUAL REPORT ADRIATIC METALS PLC



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)

COMPANY SECRETARY

Sean Duffy (Joint)

Gabriel Chiappini (Joint)

UNITED KINGDOM REGISTERED OFFICE

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Cheltenham, Gloucestershire GL50 1HN
England

AUSTRALIAN OFFICE

Ground Floor, 24 Outram Street
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England

STOCK EXCHANGE LISTING

Australian Securities Exchange
(Code: ADT)

SHARE REGISTRY

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Perth WA 6000
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WEBSITE

www.adriaticmetals.com

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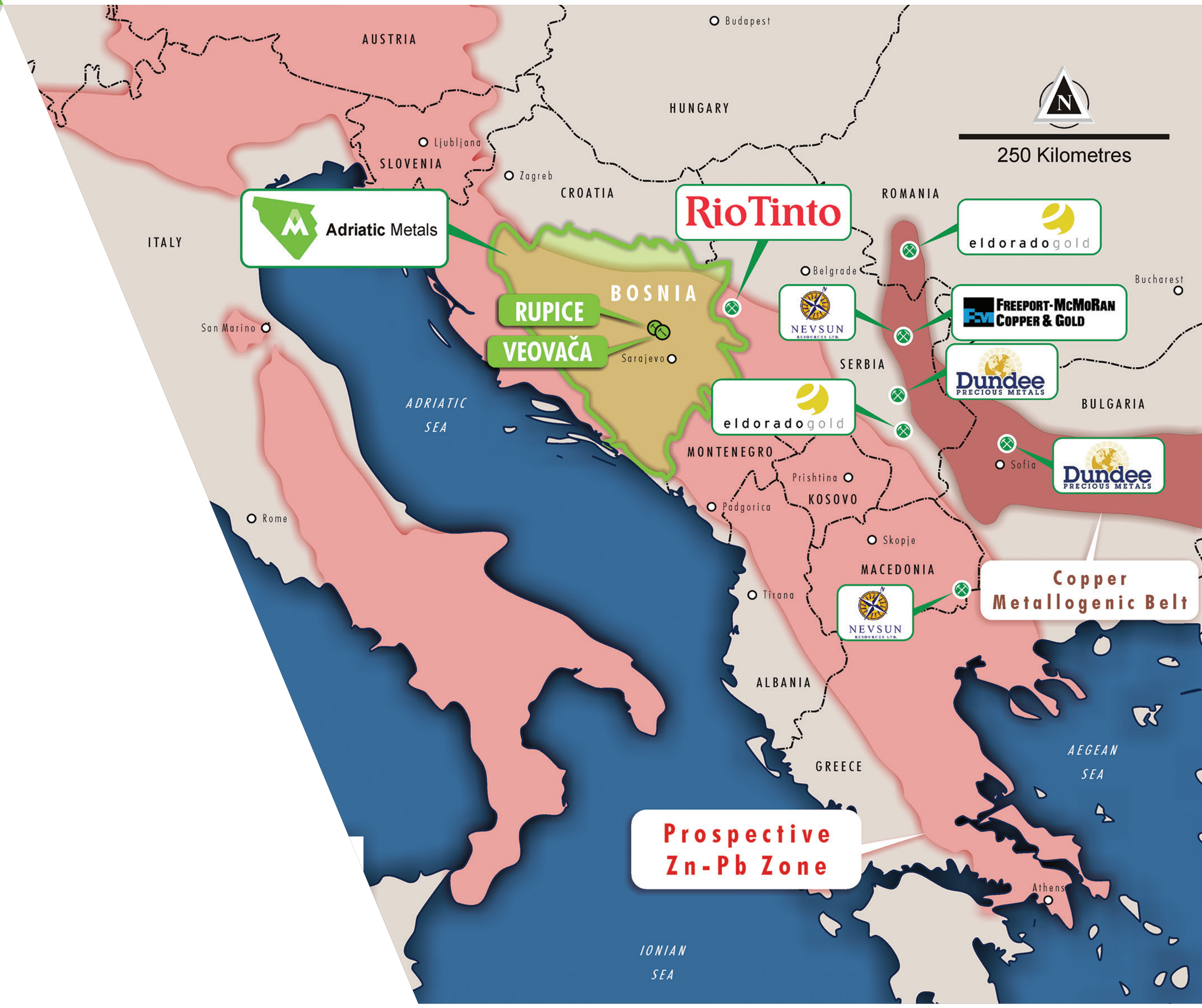


ADRIATIC METALS PLC IS AN ASX-LISTED ZINC POLYMETALLIC EXPLORER AND DEVELOPER VIA ITS 100% INTEREST IN THE **VAREŠ PROJECT** IN BOSNIA & HERZEGOVINA

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% $BaSO_4$ 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% $BaSO_4$ 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% $BaSO_4$ 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% $BaSO_4$ 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% $BaSO_4$ 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 Veovača 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.

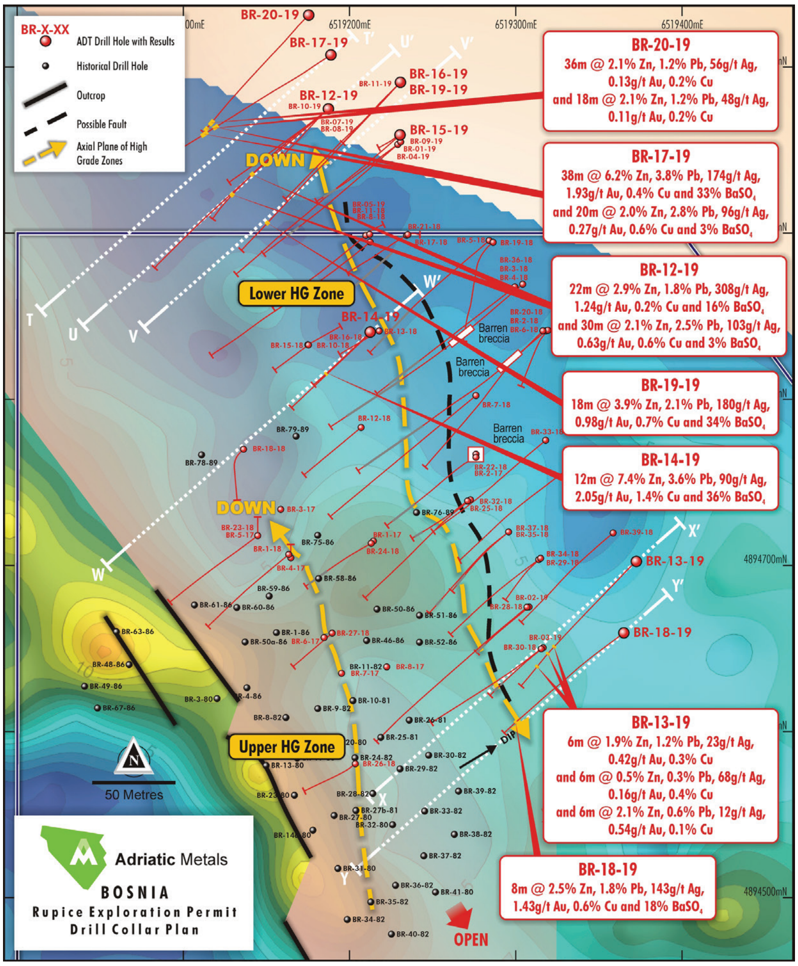


FIGURE 1 – PLAN MAP OF RUPICE INTERCEPTS

TABLE 1 – RUPICE MAIDEN MINERAL RESOURCE ESTIMATE (JORC 2012) – JULY 2019

RUPICE MINERAL RESOURCES, JULY 2019

JORC CLASSIFICATION	TONNES	GRADES						CONTAINED METAL					
	MT	Au g/t	Ag g/t	Zn %	Pb %	$BaSO_4$ %	Cu %	Au oz	Ag oz	Zn Kt	Pb Kt	$BaSO_4$ 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
Total	**9.4**	**1.8**	**183**	**5.1**	**3.3**	**31**	**0.6**	**530**	**55**	**480**	**310**	**2,920**	**52**

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 $BaSO_4$, 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 $BaSO_4$, $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% $BaSO_4$).*
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."

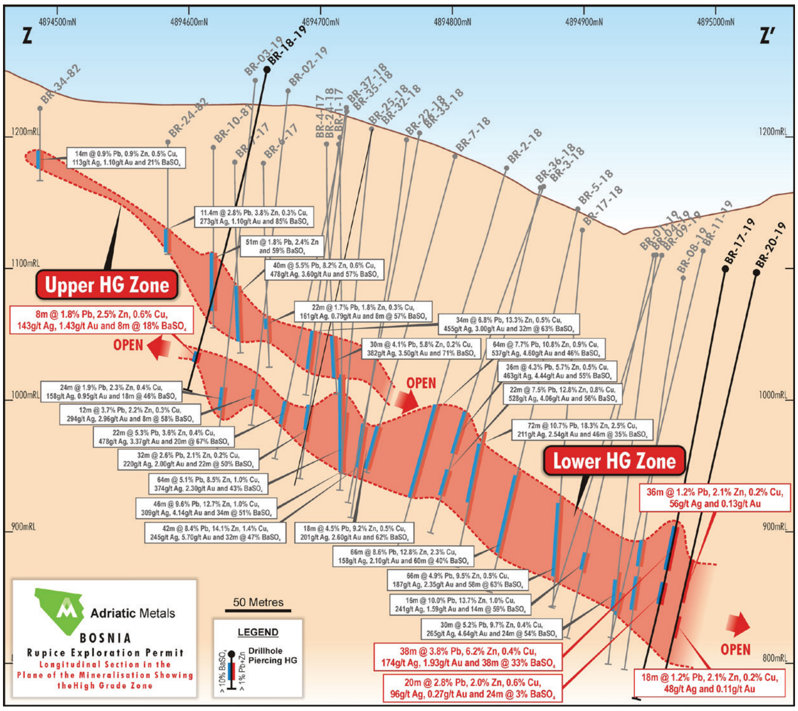


FIGURE 2 – LONG SECTION OF RUPICE INTERCEPTS

TABLE 2 – SIGNIFICANT INTERCEPTS TO DATE AT RUPICE

HOLE #	FROM m	TO m	INTERVAL m	**Au** g/t	**Ag** g/t	**Zn** %	**Cu** %	**Pb** %	**BaSO4** %
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.

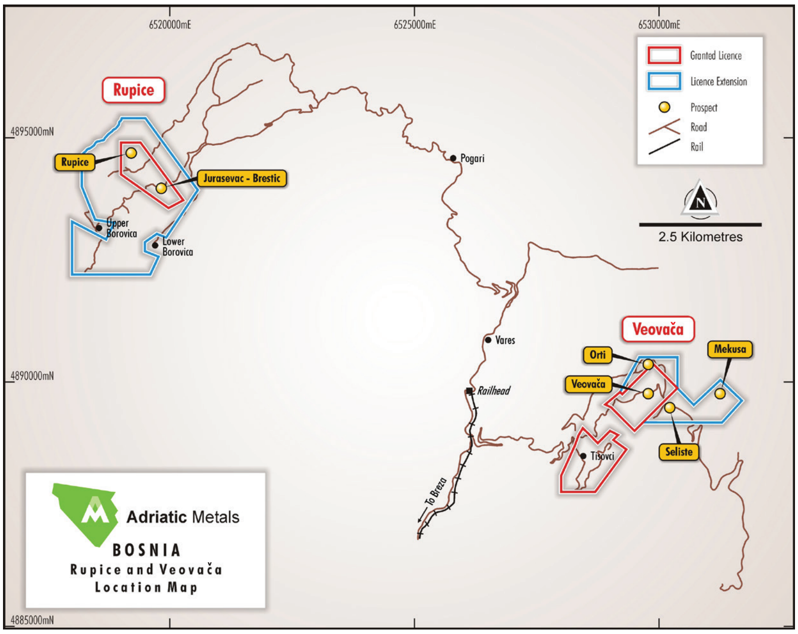
This represents a significant increase in mineral resources at Veovača and provides a solid base for future scoping and mine studies, currently being prepared by the Company.

(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	Au	Ag	Zn	Pb	$BaSO_4$
	MT	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
Total	**7.4**	**0.08**	**41**	**1.4**	**0.9**	**13**

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[i]

(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 2nd 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**
TOTAL	**159,691**	**-**	**159,691**

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	
TOTAL	**200,000**	

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	**172,917**	76,000
Chief Operating Officer	**32,250**	-
Chief Finance Officer	**55,002**	29,725
Company Secretary - Joint	**21,529**	-
Directors Fees	**172,191**	41,239
Advisory Fees - Directors	**134,500**	195,400
Total	**588,389**	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	-	**1,500,000**	AUD $0.30	1/5/2020	1/7/2021
Paul Cronin	5,000,000	5,000,000	1/4/2019	-	**5,000,000**	AUD $0.20	1/5/2020	1/7/2023
Eric de Mori	4,000,000	4,000,000	1/4/2019	-	**4,000,000**	AUD $0.20	1/5/2020	1/7/2023
Julian Barnes	1,000,000	1,000,000	1/4/2019	-	**1,000,000**	AUD $0.30	1/5/2020	1/7/2021
Milos Bosnjakovic	1,000,000	1,000,000	1/4/2019	-	**1,000,000**	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	**250,000**	**1,500,000**
Paul Cronin	**16,851,332**	**5,000,000**
Eric de Mori	**11,054,000**	**4,000,000**
Julian Barnes	**-**	**1,000,000**
Milos Bosnjakovic	**16,000,000**	**1,000,000**
Michael Rawlinson	**40,000**	**-**

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	**(2,163,209)**	(2,170,921)
OPERATING LOSS		**(2,163,209)**	(2,170,921)
Finance costs	8	**(254,444)**	(242,224)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(2,417,653)**	(1,928,697)
Tax	9	**-**	-
LOSS FROM CONTINUING OPERATIONS		**(2,417,653)**	(1,928,697)
Other comprehensive income	10	**42,875**	5,965
TOTAL COMPREHENSIVE INCOME		**(2,374,778)**	(1,922,732)
Earnings per share expressed in pence per share:	16		
Basic		**(1.69)**	(2.27)
Diluted		**(1.49)**	(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 £
NON-CURRENT ASSETS			
Intangible assets	12	**3,971,210**	1,034,235
Tangible assets	11	**721,128**	626,308
		4,692,338	1,660,543
CURRENT ASSETS			
Trade and other receivables	13	**361,724**	147,711
Cash and cash equivalents	14	**5,369,759**	4,644,389
		5,731,483	4,792,100
TOTAL ASSETS		**10,423,821**	6,452,643
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	16	**2,013,701**	1,733,042
Share premium		**11,084,777**	5,515,049
Other capital reserves	18	**1,714,826**	1,282,365
Other reserves	18	**74,242**	31,367
Retained deficit	18	**(4,638,657)**	(2,221,004)
TOTAL EQUITY		**10,248,889**	6,340,819
CURRENT LIABILITIES			
Trade and other payables	15	**174,932**	111,824
TOTAL EQUITY AND LIABILITIES		**10,423,821**	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 £
NON-CURRENT ASSETS			
Investments	4	**4,888,901**	1,517,405
Intangible assets	12	**734,414**	345,761
Tangible assets	11	**22,486**	26,454
		5,645,801	1,889,620
CURRENT ASSETS			
Trade and other receivables	13	**97,246**	110,494
Cash and cash equivalents	14	**5,100,764**	4,572,426
		5,198,010	4,682,920
TOTAL ASSETS		**10,843,811**	6,572,540
Equity			
Share capital	16	**2,013,701**	1,733,042
Share premium		**11,084,777**	5,515,049
Other capital reserves	18	**1,714,826**	1,282,365
Retained earnings	18	**(4,072,190)**	(2,023,689)
TOTAL EQUITY		**10,741,114**	6,506,767
CURRENT LIABILITIES			
Trade and other payables	15	**102,697**	65,773
TOTAL EQUITY AND LIABILITIES		**10,843,811**	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

GROUP	SHARE CAPITAL £	SHARE PREMIUM £	OTHER CAPITAL RESERVE £	RETAINED EARNINGS £	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	-	-	-	(1,928,697)	-	**(1,928,697)**
Issue of share capital	876,719	5,108,866	-	-	-	**5,985,585**
Issue of options			1,282,365			**1,282,365**
Other comprehensive income	-	-	-	-	5,965	**5,965**
As at 30 June 2018	1,733,042	5,515,049	1,282,365	(2,221,004)	31,367	**6,340,819**
Loss for the period	-	-	-	(2,417,653)	-	**(2,417,653)**
Issue of share capital	276,684	5,484,230	-	-	-	**5,760,914**
Exercise of options	3,975	85,498	(24,156)			**65,317**
Issue of options	-	-	456,617	-	-	**456,617**
Other comprehensive income	-	-	-	-	42,875	**42,875**
As at 30 June 2019	2,013,701	11,084,777	1,714,826	(4,638,657)	74,242	**10,248,889**

COMPANY	SHARE CAPITAL £	SHARE PREMIUM £	OTHER CAPITAL RESERVE £	RETAINED EARNINGS £	OTHER RESERVES (FOREIGN CURRENCY TRANSLATION RESERVES) £	TOTAL £
As at 1 July 2017	856,323	406,183	-	7,982	-	**1,270,488**
Loss for the period	-	-	-	(2,031,671)	-	**(2,031,671)**
Issue of share capital	876,719	5,108,866	-	-	-	**5,985,585**
Issue of options	-	-	1,282,365	-	-	**1,282,365**
Other comprehensive income	-	-	-	-	-	**-**
As at 30 June 2018	1,733,042	5,515,049	1,282,365	(2,023,689)	-	**6,506,767**
Loss for the period	-	-	-	(2,048,501)	-	**(2,048,501)**
Issue of share capital	276,684	5,484,230	-	-	-	**5,760,914**
Exercise of options	3,975	85,498	(24,156)			**65,317**
Issue of options	-	-	456,617	-	-	**456,617**
Other comprehensive income	-	-	-	-	-	**-**
As at 30 June 2019	2,013,701	11,084,777	1,714,826	(4,072,190)	-	**10,741,114**

YEAR ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 £	2018 £
Loss	**(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)
Working capital adjustments:		
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)
Net cash flows used in operating activities	**(2,004,548)**	(976,848)
Investing activities		
Purchase of property, plant and equipment	**(105,998)**	(40,296)
Purchase of intangible assets	**(3,014,471)**	(756,479)
Net cash flows used in investing activities	**(3,120,469)**	(796,775)
Financing activities		
Issue of share capital (net of fees)	**5,850,387**	6,106,542
Net cash flows generated from financing activities	**5,850,387**	6,106,542
Net increase in cash and cash equivalents	**725,370**	4,332,919
Cash and cash equivalents at 30 June 2018	**4,644,389**	311,470
Cash and cash equivalents at 30 June 2019	**5,369,759**	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 £
(Loss)/profit	**(2,048,501)**	(2,031,671)
Depreciation and amortisation	**3,968**	-
Share based payments	**432,461**	1,161,408
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	**13,248**	164,506
Increase/(Decrease) in trade and other payables	**36,924**	(122,886)
Net cash flows used in operating activities	**(1,561,900)**	(828,643)
Investing activities		
Purchase of property, plant and equipment	**-**	(26,094)
Purchase of intangible assets	**(388,653)**	(272,349)
Investment in subsidiary undertaking	**(3,371,496)**	(633,860)
Net cash flows used in investing activities	**(3,760,149)**	(932,303)
Financing activities		
Issue of share capital	**5,850,387**	6,106,542
Net cash flows generated from financing activities	**5,850,387**	6,106,542
Net increase in cash and cash equivalents	**528,338**	4,345,596
Cash and cash equivalents at 30 June 2018	**4,572,426**	226,830
Cash and cash equivalents at 30 June 2019	**5,100,764**	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
At 30 June 2018	1,517,405
Additions	3,371,496
At 30 June 2019	4,888,901
NET BOOK VALUE	
At 30 June 2019	4,888,901
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	% EQUITY INTEREST 2018
Eastern Mining d.o.o	Mining exploration	Marsala Tita 3/II, 1000 Sarajevo, Bosnia and Herzegovina	**100**	100

5. ADMINISTRATIVE EXPENSES

	NOTE	2019 £	2018 £
Wages and salaries		**233,896**	173,850
Employee benefit expense – share options	17	**456,616**	1,121,275
Consultancy fees		**591,651**	531,954
Depreciation	11	**11,646**	4,632
Amortisation	12	**77,496**	5,321
Other costs		**791,904**	210,883
IPO Costs		**-**	123,006
		2,163,209	2,170,921

6. EMPLOYEES

The average monthly number of employees during the year was as follows:

	2019	2018
Eastern Mining d.o.o.		
Administrative staff - Eastern Mining	**5**	4
Exploration staff - Eastern Mining	**16**	10
	21	14

	2019	2018
Adriatic Metals Plc		
Directors	**5**	3
Administrative and Management	**4**	2
	9	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.	**25,000**	12,500
Auditor's remuneration – fees payable to the auditor for the audit of accounts of subsidiaries of the company	**3,605**	3,625
	28,605	16,125

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. FINANCE COSTS

	2019 £	2018 £
Foreign currency movements	**(291,949)**	(242,224)
Interest receivable	**37,505**	-
	(254,444)	(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	**(2,417,653)**	(1,928,697)
Loss multiplied by the standard rate of corporation tax in the UK 19%	**(459,354)**	(366,452)
Effects of:		
Losses carried forward	**459,354**	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	**42,875**	5,965

11. TANGIBLE ASSETS

GROUP

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	**TOTAL £**
COST				
At 1 July 2017	562,362	19,055	4,693	**586,110**
Additions	-	40,205	91	**40,296**
Disposals	-	-	-	**-**
Foreign exchange differences	3,758	125	32	**3,915**
At 30 June 2018	566,120	59,385	4,816	**630,321**
Additions	58,663	41,140	-	**99,803**
Disposals	-	4,816	(4,816)	**-**
Foreign exchange differences	6,195	-	-	**6,195**
At 30 June 2019	630,978	105,341	-	**736,319**
DEPRECIATION				
At 1 July 2017	-	424	-	**424**
Charge for the year	-	3,589	-	**3,589**
At 30 June 2018	-	4,013	-	**4,013**
Charge for the year	-	11,178	-	**11,178**
On disposals	-	-	-	**-**
At 30 June 2019	-	15,191	-	**15,191**
NET BOOK VALUE				
At 30 June 2019	630,978	90,150	-	**721,128**
At 30 June 2018	566,120	55,372	4,816	**626,308**

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. TANGIBLE ASSETS *(CONTINUED)*

COMPANY

	LAND & BUILDINGS £	PLANT & EQUIPMENT £	ASSETS UNDER CONSTRUCTION £	**TOTAL £**
COST				
At 1 July 2017	-	360	-	**360**
Additions	-	26,094	-	**26,094**
Disposals	-	-	-	**-**
At 30 June 2018	-	26,454	-	**26,454**
Additions	-	-	-	**-**
Disposals	-	-	-	**-**
At 30 June 2019	-	26,454	-	**26,454**
DEPRECIATION				
At 1 July 2017	-	-	-	**-**
Charge for the year	-	-	-	**-**
At 30 June 2018	-	-	-	**-**
Charge for the year	-	3,968	-	**3,968**
On disposals	-	-	-	**-**
At 30 June 2019	-	3,968	-	**3,968**
NET BOOK VALUE				
At 30 June 2019	-	22,486	-	**22,486**
At 30 June 2018	-	26,454	-	**26,454**

12. INTANGIBLE ASSETS

GROUP

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENCES £	**TOTAL £**
COST			
At 1 July 2017	172,337	111,740	**284,077**
Additions	756,479	-	**756,479**
Disposals	-	-	**-**
Foreign exchange differences	444	526	**970**
At 30 June 2018	929,260	112,266	**1,041,526**
Additions	2,600,409	414,062	**3,014,471**
Disposals	-	-	**-**
Foreign exchange differences	-	-	**-**
At 30 June 2019	3,529,669	526,328	**4,055,997**
AMORTISATION AND IMPAIRMENT			
At 1 July 2017	-	1,970	**1,970**
Charge for the year	-	5,321	**5,321**
At 30 June 2018	-	7,291	**7,291**
Charge for the year	-	77,496	**77,496**
On disposals	-	-	**-**
At 30 June 2019	-	84,787	**84,787**
NET BOOK VALUE			
At 30 June 2019	3,529,669	441,541	**3,971,210**
At 30 June 2018	929,260	104,975	**1,034,235**

YEAR ENDED 30 JUNE 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTANGIBLE ASSETS *(CONTINUED)*

COMPANY

	EXPLORATION & EVALUATION ASSETS £	PATENTS AND LICENCES £	**TOTAL £**
COST			
At 1 July 2017	73,412	-	**73,412**
Additions	272,349	-	**272,349**
Disposals	-	-	**-**
Foreign exchange differences	-	-	**-**
At 30 June 2018	345,761	-	**345,761**
Additions	388,653	-	**388,653**
Disposals	-	-	**-**
At 30 June 2019	734,414	-	**734,414**
AMORTISATION AND IMPAIRMENT			
At 1 July 2017	-	-	**-**
Charge for the year	-	-	**-**
At 30 June 2018	-	-	**-**
Charge for the year	-	-	**-**
At 30 June 2019	-	-	**-**
NET BOOK VALUE			
At 30 June 2019	734,414	-	**734,414**
At 30 June 2018	345,761	-	**345,761**

13. TRADE AND OTHER CURRENT RECEIVABLES

	GROUP		COMPANY	
	2019 £	2018 £	**2019 £**	2018 £
VAT	**287,514**	128,583	**78,482**	91,730
Other receivables	**74,210**	19,128	**18,764**	18,764
	361,724	147,711	**97,246**	110,494

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 £	2018 £	**2019 £**	2018 £
Cash at bank	**5,366,266**	4,640,896	**5,097,271**	4,568,933
Petty cash	**3,493**	3,493	**3,493**	3,493
	5,369,759	4,644,389	**5,100,764**	4,572,426

15. TRADE AND OTHER CURRENT PAYABLES

	GROUP		COMPANY	
	2019 £	2018 £	**2019 £**	2018 £
Trade payables	**105,886**	46,258	**77,760**	14,258
Accruals	**26,423**	51,515	**24,937**	51,515
Taxes payable	**2,546**	4,485	**-**	-
Other payables	**40,077**	9,566	**-**	-
	174,932	111,824	**102,697**	65,773

16. SHARE CAPITAL

GROUP AND COMPANY	**30 JUN 2019 £**	30 JUN 2018 £
Issued and fully paid		
Shares issued	**2,013,701**	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
Total Shares	**130,795,596**

On November 20, 2018 the company made an institutional placement of CDI's 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
Total Shares	**150,482,587**

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
Total Shares at June 30, 2019	**150,782,587**

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
Total Options	**18,825,000**
Fully diluted Share Capital	**169,607,587**

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
Basic EPS			
Earnings attributable to ordinary shareholders	**(2,417,653)**	**142,826,588**	**(1.69)**
Effect of dilutive securities	**-**	**19,693,014**	**-**
Diluted EPS			
Adjusted earnings	**(2,417,653)**	**162,519,601**	**(1.44)**

2018	EARNINGS £	WEIGHTED AVERAGE NUMBER OF SHARES	PER-SHARE AMOUNT PENCE
Basic EPS			
Earnings attributable to ordinary shareholders	(1,928,697)	84,960,236	(2.27)
Effect of dilutive securities	-	6,678,082	-
Diluted EPS			
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:

EXECUTIVE OPTIONS	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

OTHER OPTIONS	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 £**
Executive options			
30c Executive Options	211,243	67,806	**143,437**
40c Executive Options	422,860	135,733	**269,657**
60c Executive Options	55,904	12,381	**43,523**
Other options			
Advisor Options	161,090	161,090	**-**
Founder Options	905,355	905,355	**-**
	1,756,452	**1,282,365**	**456,617**

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
Outstanding at 1 July	**19,500,000**	**$0.30**	-	-
Granted during the year	**-**		19,500,000	$0.30
Exercised during the year	**(300,000)**	**$0.40**	-	
Expired during the year	**-**		-	
Outstanding at 30 June	**19,200,000**	**$0.30**	19,500,000	$0.30
Exercisable at 30 June	**18,200,000**		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	**172,917**	76,000
Chief Operating Officer	**32,250**	-
Chief Finance Officer	**55,002**	29,725
Company Secretary - Joint	**21,529**	-
Directors Fees	**172,191**	41,239
Advisory Fees - Directors	**134,500**	195,400
Total	**588,389**	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 £
Financial assets				
Cash and cash equivalents	**5,369,759**	**5,369,759**	4,644,389	4,644,389
Trade and other receivables	**361,724**	**361,724**	19,128	19,128
Financial liabilities				
Trade and other payables	**174,932**	**174,932**	107,339	107,339

COMPANY	2019		2018	
	CARRYING AMOUNT £	**FAIR VALUE £**	CARRYING AMOUNT £	FAIR VALUE £
Financial assets				
Cash and cash equivalents	**5,100,764**	**5,100,764**	4,572,426	4,572,426
Trade and other receivables	**97,246**	**97,246**	18,764	18,764
Financial liabilities				
Trade and other payables	**102,697**	**102,697**	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 £**
Increase in foreign exchange rate of 10%		
Bosnian Mark	**33,560**	**(390,466)**
Decrease in foreign exchange rate of 10%		
Bosnian Mark	**(41,017)**	**477,236**

30 JUNE 2018	EFFECT ON PROFIT OR LOSS £	EFFECT ON EQUITY £
Increase in foreign exchange rate of 10%		
Bosnian Mark	15,155	(120,351)
Decrease in foreign exchange rate of 10%		
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	**€ 268,230**	€ 1,827,922
Amounts in Australian Dollars	**A$ 9,236,297**	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
Impairment of exploration and evaluation assets and investment in subsidiary company *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.*	In accordance with IFRS 6 we reviewed the exploration and evaluation (E&E) assets for indications of impairment. 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 £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. 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
Total	**822**	**150,782,587**	**100.00**

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, 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.

Adriatic Metals