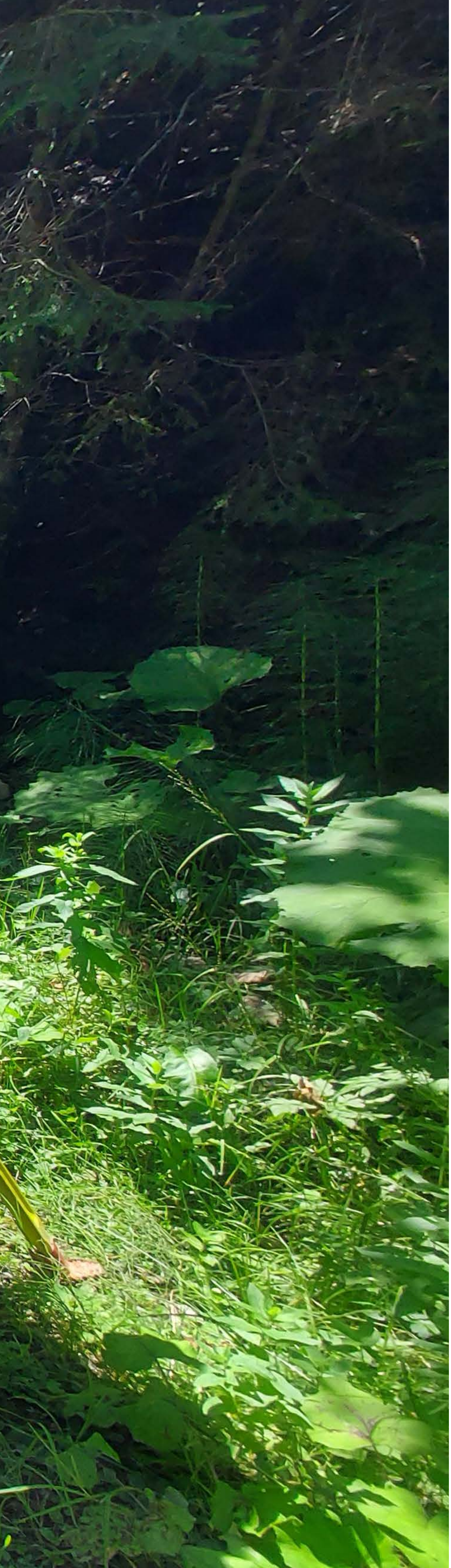
Adriatic Metals

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

HIGHLIGHTS OF THE YEAR ENDED 30 JUNE 2020

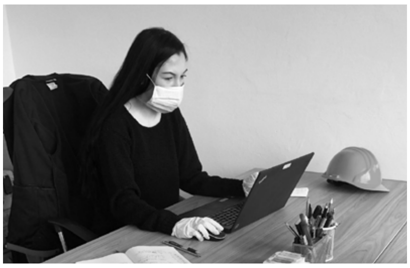
BUSINESS REVIEW

Scoping study:

Scopting study for the Vares Silver Project completed, indicating an NPV_8 of US$917 million, IRR of 107% and project capital requirement of approximately US$178 million.

Preliminary feasiblity study (PFS):

Drilling completed converting inferred resources into indicated in the updated mineral resource estimate. PFS completion is expected in early Q4 2020.



COVID-19 impact:

All activities related to exploration, metallurgical testwork, geochemical domaining and other PFS workstreams largely unaffected by the current crisis.

CONCESSION RIGHTS AND PERMITS:

- Amendment to the Vares Silver Project Concession Agreement, confirming the Company's rights to gold, silver and copper in addition to lead, zinc and barite.
- Issue of Environmental Permit for Veovaca.

FINANCIAL:

- Completion of a A$25 million Institutional Placement
- Cash balance at 30 June 2020 of £9.9 million (A$17.8 million), ensuring continuity of operations from existing cash resources well into 2021.

CORPORATE:

- Listing on the London Stock Exchange's Main Market (Standard Segment)
- Arrangement to acquire 100% of Tethyan Resource Corp including advancing €1.0 million under a €1.3m secured convertible loan facility.

GOVERNANCE:

- Board and management evolution continues to align management skills with operational objectives and increase independence of the Board.
- Established an Environmental, Social and Governance (ESG) Committee.

Strategic Report

Governance

Financial Statements

ASX Additional Information

DELIVERING ON OUR STRATEGY

CHAIRMAN'S STATMENT

Michael Rawlinson,
Chairman

"I am pleased to be able to report a year of considerable progress towards our main objective of exploring mineral resource opportunities that have the potential to deliver growth for the benefit of Adriatic's shareholders. The team have made great progress at the key Vares Project in what have been very testing circumstances under COVID-19 and we have also announced the acquisition of Tethyan Resource Corp with a view to becoming a multi-mine producer.

On a personal note, I am honoured and excited to step up to Chairman of this company as it looks to become a multi-mine producer. Peter has Chaired the company with aplomb, and I am delighted to have the ongoing benefit of his advice and wise counsel as a Non-executive Director."

Key milestones:

The Company has achieved a number of key milestones during the year including the completion of the scoping study, announced in 19 November, for the Vares Silver Project. This indicated an impressive project NPV_8 of US$917 million net of an eminently achievable project capital cost requirement of US$178 million. The scoping study firmly establishes the Vares Silver Project as a world class asset and represents a major milestone in path towards development.

The Environmental Permit was issued for Veovaca mine, processing plant and tailing facility, and submissions for Urban Planning are complete and under review by the Federal Ministry for Spatial Planning.

Substantial progress has also been made during the second half of the year with the various workstreams of the preliminary feasibility study, which is planned for release shortly, including updated metallurgical test work and an updated JORC Mineral Resource Estimate. This follows an extensive and successful drilling campaign, that has substantially increased the mineral resources at the Rupice Silver Deposit. We are also excited that Adriatic Metals' application for a significant land extension to its current Concession Agreement was approved on 2nd September. The new concession area is highly prospective and adds some $32.12km^2$ of land in close proximity to our Rupice and Veovaca concessions at the Vares Project.

The Company was admitted to trading on the London Stock Exchange's Main Market (Standard Segment) on 12 December 2019 under the ticker "ADT1". The London listing was completed in response to continued interest from investors in the United Kingdom and Europe and provides access to substantial additional sources of capital to provide support to Adriatic as it continues to progress the Vares Silver Project. Adriatic has, and will continue to retain its listing on the ASX which remains the primary trading exchange for the Company's shares.

Corporate Developments

The Company entered into an agreement to acquire 100% of TSX-V listed Tethyan Resource Corp. (TSX-V:TETH) (Tethyan) via a plan of arrangement in British Columbia. As part of the agreement the Company provided a secured convertible loan facility of €1.3 million to Tethyan and advanced €1 million under that facility in May 2020. A further €0.3 million was advanced to Tethyan in July 2020 and the loan facility was increased to €1.8 million in August 2020 and a further €0.5 million provided to Tethyan bringing the total amount advanced under the loan to €1.8 million.

The funding provided to Tethyan is being used for confirmation and expansion drilling, geophysics, baseline environmental studies at the Raska project in Serbia and general working capital purposes.

The acquisition received nearly 100% support from Tethyan shareholders and a final order of the Supreme Court of British Columbia approving the plan of arrangement has been obtained. The acquisition is expected to be completed later this month.

Impact of COVID-19

The global COVID-19 pandemic required us, like many of our peers, to alter our operational plans and implement strict safety protocols to protect our staff and our local community. Our operational productivity was moderately affected, but ultimately the Company was able to deliver on its key milestones. Whilst there are still certain restrictions imposed on our activities by the crisis, we are confident of our ability to adapt to this dynamic situation and continue to deliver the Vares Silver project on time.

We do not anticipate COVID-19 having a detrimental effect on our ability to raise finance for our future activities and have actually seen a recent strengthening of equity market interest in our sector and Adriatic specifically, as investors look to rebalance their investment portfolios in response to the pandemic.

On 30 October 2019 the Company announced the completion of a A$25 million institutional placement at an issue price of A$1.00 per share. The placement was strongly supported by existing shareholders and introduced a number of new, high quality institutional investors to Adriatic's share register.

The cash balance at 30 June 2020 of £9.9 million (A$17.8 million) ensures continuity of operations from existing cash resources well into 2021.

Board and Management Changes

The Board and the executive management team has been substantially strengthened and rounded out during the year in line with the Company's evolution. The Board now consists of one executive director and five independent Non-executive Directors with good diversity in gender, skills and nationalities. We have strengthened our executive management team over the year as we plan for the transition from explorer to developer. The Board remains committed to good corporate governance, the Quoted Company Alliance's Corporate Governance Code (QCA Code) and to aligning the skills and experience of the Directors and management with the needs of the Vares Silver Project as it advances toward production.

In October Mr Eric de Mori, an ASX small cap specialist and founding shareholder of Adriatic, resigned from the Board of Adriatic.

Sandra Bates, a commercial and strategic international lawyer with over 20 years' experience advising management teams and boards of both listed and private companies in the UK and internationally was appointed as an independent Non-Executive Director in November.

Following a request from Sandfire Resources NL, under the terms of its Collaboration and Strategic Partnership Deed with Adriatic, to appoint a nominee to the Board of Adriatic once its shareholding in Adriatic rose above 10%, John Richards, an internationally experienced mining executive, was appointed as a Non-executive Director. Mr Richards subsequently stepped down on 8 July following the withdrawal of Sandfire's nomination of him. Sandfire's shareholding remains above 10%.

Geoff Eyre was appointed as Chief Financial Officer of the Company in January 2020. Mr Eyre has held senior positions with precious and base metal producing mines, exploration and development stage companies, and private equity investment funds including CFO of Avesoro Resources Inc during the turnaround in performance of the New Liberty gold mine in Liberia.

Dominic Roberts joined the Company as Head of Corporate Affairs in July 2020. Mr Roberts has more than 25 years' experience operating in the Balkans and was previously company Operations Director at Mineco, one of the largest base metal miners in the Balkans with five operating mines.

Milos Bosnjakovic ceased to be a director of the Company and its subsidiary on 11 July 2020.

On 3 August 2020, Ms Sanela Karic, a Bosnian national, who brings with her over 15 years' experience as a lawyer and a career spanning corporate affairs, mergers & acquisitions and human resources was also appointed as an independent Non-executive Director.

Finally, Peter Bilbe stepped down as Non-executive Chairman on 3 August 2020 having done a tremendous job of guiding the Company from before its listing on the ASX in May 2018 through a period of unprecedented growth and its LSE listing. We are all very grateful for his leadership and advice, and I look forward to continuing working with him as he remains on the Board as an independent Non-executive Director.

In addition, the Company continues to build out its team in Bosnia including two key appointments - Mrs Jelena Viskovic as Group Human Resource Manager responsible for all aspects of human development for the Company's operations and Mrs Vildana Mahmutovic as Environmental, Social & Governance Manager. Fabian Baker will also be joining the management team as Business Development Manager on closing of the Tethyan acquisition.

Governance Changes

We have strengthened our governance committees this year in anticipation of a move towards production.

We have established a new ESG Committee led by our newest Non-executive Director and Bosnian national Sanela Karic. This committee is tasked with ensuring that the policies, procedures and actions that relate to key stakeholders are handled transparently and to the highest standards. We understand that the Company's licence to operate stems from its ability to negotiate ESG matters successfully with its stakeholders - be they employees, communities, customers, suppliers or governmental and non-governmental partners.

We have also decided to unify the composition of the Remuneration Committee and Nominations Committees. The board felt that it was important to consider succession planning and the human resources plan to production alongside the overall remuneration strategy.

On behalf of the Board I would like to thank the management and employees for their determination and hard work in what has been a difficult environment because of COVID 19. They have achieved a tremendous in the past year safely and with probity and good humour. I look forward to 2021 as being another exciting year of progress.

Michael Rawlinson, Chairman
28 September 2020

STRATEGICALLY INCREASING OUR CONCESSION FOOTPRINT

BUSINESS MODEL

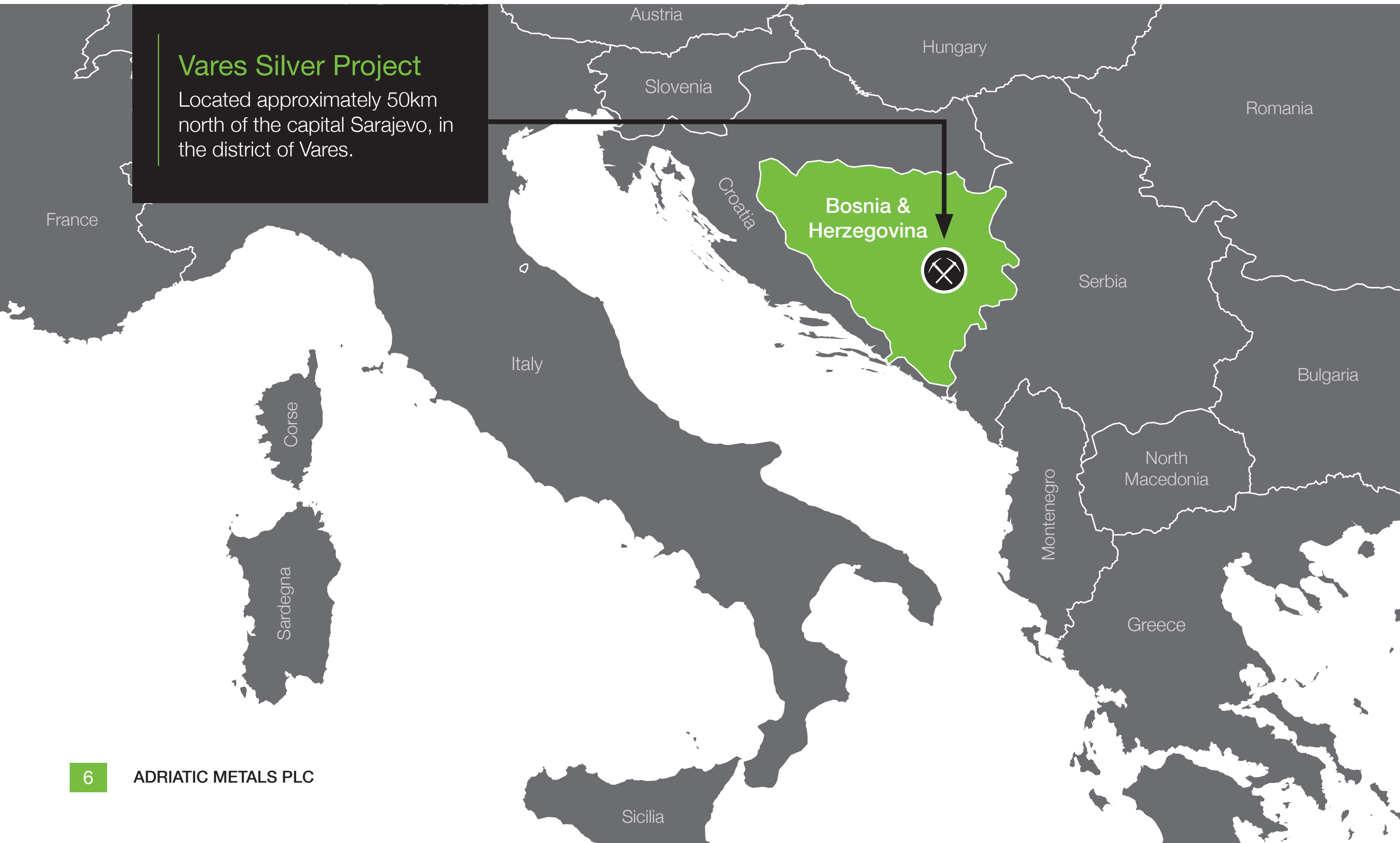
Adriatic is a base and precious metals explorer and developer via its 100% interest in the Vares Silver Project in the Federation of Bosnia & Herzegovina (Bosnia). The Project comprises Veovaca, a brown-field open cut zinc/lead/barite and silver mine and Rupice, an advanced exploration silver dominant deposit which exhibits exceptionally thick mineralisation with high grades of precious and base metals. The business model relies on the prices of these commodities.

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

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

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

Successful permitting of the Vares Silver Project is a key part of the business model and focus for management to ensure applications are comprehensive, meet government requirements and are proactively followed up.



STRATEGY

Adriatic's primary objective is to focus on the exploration of mineral resource opportunities that have the potential to deliver growth of the Company for the benefit of its shareholders.

In order to achieve this objective, exploration programmes have been prepared and budgeted; these include, but are not limited to, drilling and assaying, resource modelling, metallurgical testing and potential mine scoping studies as well as concession administration, general administration and geological services in relation to the Veovaca and Rupice Projects and satellite prospects. The results of the exploration programs determine the economic viability and possible timing for the commencement of further work including scoping studies and possible development on the Projects.

Focused on expediting exploration and development activities and the establishment of strong in-country relationships, Adriatic has recruited a world class multi-disciplinary team to 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 Veovaca. The sites are less than 12km apart and are close to existing infrastructure in terms of power, water, rail, sealed roads, access to a skilled workforce, accommodation facilities, service providers and an international airport.

Since its IPO on the Australian Securities Exchange (ASX) Adriatic has been able to access equity markets and undertook a A$25 million placement in October 2019. The Group has used this funding to continue the advancement of the Vares Silver Project toward a development decision. The Group is now actively engaging with potential debt and alternative finance providers for development of the project, and as a result minimising further equity dilution for shareholders.

Adriatic seeks to differentiate itself 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 silver and polymetallic results globally;
- being well funded for completion of its current activities;
- a strong commitment to contribute to the sustainable development of the communities associated with our operations and to ethical conduct and a focus on the professional management of Environmental, Social and Governance aspects of the project; and
- and numerous technical evaluation programs, culminating in the Scoping Study whose results were published in November 2019.

In furtherance of this strategy, following shareholder and TSX approval, Adriatic expects to complete the acquisition before the end of September 2020 of 100% of the issued capital of Tethyan Resource Corp., which has Serbian brownfield development projects and a large prospective landholding on the Tethyan mineral belt. This will position the enlarged Adriatic as the leading Balkan base and precious metals developer. Adriatic plans to rapidly advance the past-producing Kizevak and Sastavci polymetallic mines in the Raska district of southwestern Serbia towards a maiden JORC compliant resource by the end of Q1 2021.

ADRIATIC HAS AN ABSOLUTE COMMITMENT TO SAFE OPERATIONS

FUTURE OPERATIONS

Adriatic is currently at the exploration and development stage of its projects, but expects that eventually once in production its main operations will include:

Production and processing:

A c.800,000 tonne per year underground mine will be developed at Rupice, followed by a c.800,000 tonne per year open pit operation at Veovaca.

Property, plant and equipment:

The process plant is expected to produce a silver/lead concentrate, zinc concentrate, and barite for sale to international smelters and end users.

Maintenance:

A substantial maintenance team servicing both the mining equipment, process plant equipment, road haulage fleet and general vehicle fleet.

Delivery and transportation:

- Approximately 21 trucks delivering ore from Rupice to Veovaca
- Approximately 4 four trucks delivering product to the railhead
- Approximately one-two trains every day delivering concentrates to port

Sales and marketing:

- A team marketing our products and looking for off-takers/end-users

Suppliers and contractors:

- Likely the mining works will be carried out by a contractor
- We will have a series of international suppliers of everything from reagents and consumables to spare parts

Technical services and assay laboratory:

- A laboratory on site for monitoring and controlling process plant operations
- A metallurgical team constantly looking at process methodology improvements
- On site mine geology team

Employees:

- Employment for approximately 350 people covering all aspects of the operation including, mining, processing, logistics and administration

Environmental, occupational, health and safety

- Dedicated departments responsible for maintaining Adriatic's absolute commitment to safe operations and the principle of 'do no harm'.
- Monitoring of HSE obligations and performance with appropriate framework of policies and management systems in place.
- Routine engagement and consultation with local communities, government and other civil society partners.

DIVERSITY

Adriatic is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background.

In accordance with this policy and ASX Corporate Governance Principles, the Company's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. The Board considers that is not appropriate to set formal diversity objectives as the present stage of the Company's development, but has nevertheless achieved the following diversity in the workplace:

Proportion of women:

Organisation as a whole	28.2%
Executive management team	Nil
Board	33.3%

Proportion with a registered disability:

Organisation as a whole	2.6%

COVID-19 IMPACT

The COVID-19 pandemic has impacted both communities near the project and the Company's operations. However, steps were quickly taken by management to mitigate the impact. COVID-19 prevention measures were implemented, including a policy statement issued to all staff. Distancing instructions and personal protective equipment were given to all staff, including contractors. These measures were subsequently augmented by mandatory temperatures checks at entry to the administrative site.

Through the community engagement conducted during the Environmental and Social Impact Assessment (ESIA) works, the Company's staff were able to provide advice and support to the communities near the project and expanded this by providing free protective equipment to Vares school and purchasing a dis-infection tunnel for the town's health clinic. Stakeholder engagement since the start of the pandemic has been guided by the advice issued by EBRD in April 2019, including the hosting of an open-air public consultation meeting for the Rupice environmental license.

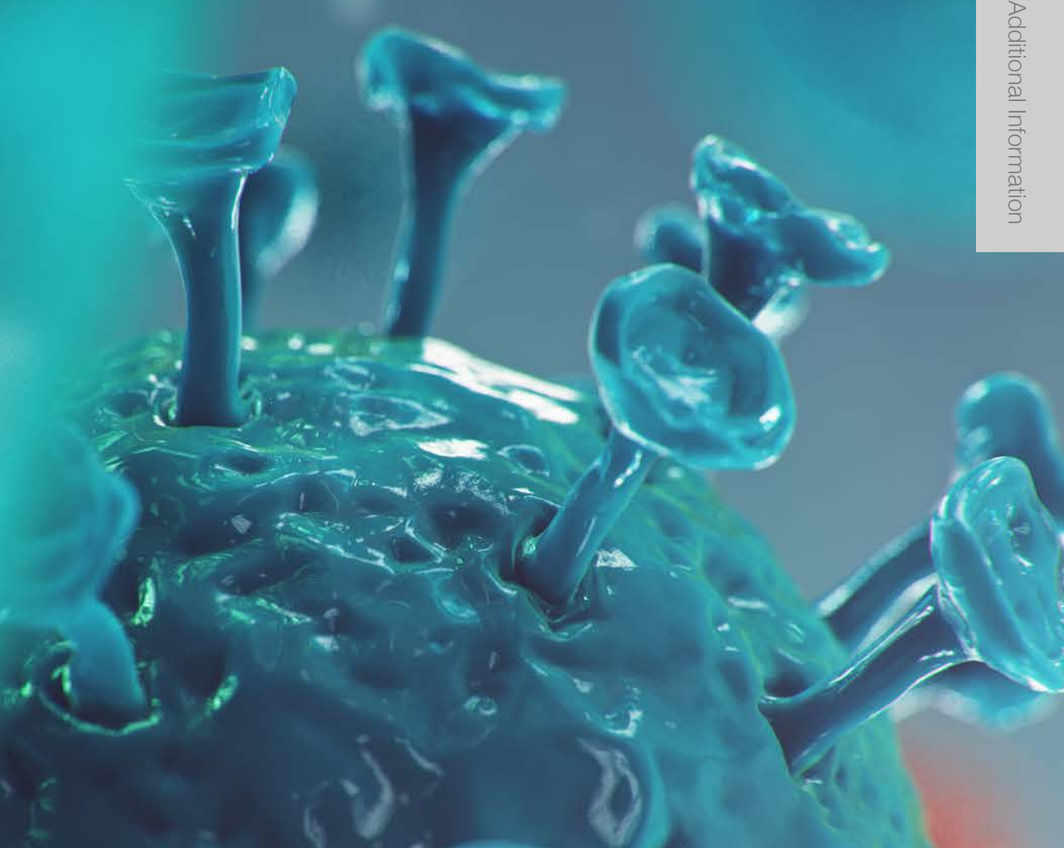
Border closures in the Balkans forced the Company to reduce the exploration drill rig count to four temporarily, but this was increased back to five rigs in early June. Adriatic applied for, and received, an exemption from the curfews imposed during March to May and managed to maintain the drilling program, albeit at a slower pace than originally planned. Some delays have been experienced with assay results, but again this is now returning to pre-COVID delivery timeframes. All other exploration activity is continuing unaffected, with supplies being delivered on time.

All activities related to metallurgical test work, geochemical domaining and pre-feasibility assessment are underway and largely unaffected by the current crisis. For the Environmental and Social Impact Assessment, where some foreign based consultants had been expected to conduct site visits for various streams of work, these have been substituted by local resources under the guidance of our international consultants, with no resulting impact on the quality of work.

As a result of the expansion in the mineralised footprint visually evident from recent drilling, a deferral of the PFS was agreed in order to allow additional drilling to be incorporated into an updated mineral resource estimate, which will be utilised for the PFS. This is not as a result of any delays in PFS work streams, which are all progressing as planned, or any COVID-19 related issues. The PFS is expected to be complete in early Q4 2020.

In December a public hearing was held for the issue of the Environmental Permit which resulted in a small number of additional information requests from the Federal Ministry for Environment and Tourism. The Company submitted responses in late January and the Ministry issued the permit in May. Whilst the total timeframe to complete the process was longer than originally planned, we appreciated the efforts of the Ministry to progress our application in a difficult period for the Bosnian government. The Company has submitted the Urban Planning Application and are currently working with the Federal Ministry of Spatial Planning to progress the application to final approval.

To date, Bosnia, & Herzegovina has reported approximately 25,000 confirmed cases of COVID-19 and approximately 750 deaths. Whilst relatively small when compared to other European countries, recent increases in new cases may result in further restrictions of movement of people. The Company has robust measures and contingency plans if such restrictions are imposed.



HOW WE MANAGE RISK & UNCERTAINTIES

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for putting in place a system to manage risk and implement internal control. The Board has considered mechanisms by which the business and the financial risks facing the Group are managed and reported to the Board. The principal business and financial risks have been identified and control procedures implemented. The Board acknowledges it has responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities of risk management to the Audit & Risk Committee, which has its own formal terms of reference. The Audit & Risk Committee meets at least twice a year to consider presentations by the Auditors and drafts of the Annual and Interim Financial Statements, and to assess the effectiveness of the Group's system of internal controls. The Audit & Risk Committee was chaired by Michael Rawlinson until his appointment as Chairman of the Board on 3 August 2020 and is now chaired by Sandra Bates; both of them have recent and relevant financial and business experience. All of the members of the Committee are non-executive.

The Audit & Risk Committee is responsible, inter alia, for:

- Reviewing the Company's risk management framework at least annually in order to satisfy itself that the framework continues to be sound and to determine whether there have been any changes in the material business risks the Company faces
- Ensuring that the material business risks do not exceed the risk appetite determined by the Board
- Overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements.

a. Financial controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the senior management team, the Audit & Risk Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

The Board is responsible for reviewing and approving overall Company strategy, budgets and plans. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit & Risk Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls.

There are procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover cash flows, capital expenditures and balance sheets.

The Audit & Risk Committee reviews the adequacy of accounting and financial controls together with the implementation of any associated recommendations of the external auditor.

b. Internal controls

The Board is responsible for ensuring that a sound system of internal control exists in order to safeguard shareholders' interests and the Company's assets. In conjunction with the Audit & Risk Committee it is responsible for the regular review of the effectiveness of the systems of internal control. Internal controls are necessarily designed to manage risk rather than eliminate it. The key features of the system that operated during the period are:

- Regular Board meetings to consider the schedule of matters reserved for Directors' consideration;
- A risk management process;
- An established organisation with clearly defined lines of responsibility and delegation of authority;
- Appointment of staff of the necessary calibre to fulfil their allotted responsibilities;
- Comprehensive budgets, forecasts and business plans, approved by the Board, reviewed on a regular basis, with performance monitored against them and explanations obtained for material variances;
- An Audit & Risk Committee of the Board considers significant financial control matters as appropriate;
- Documented whistle-blowing policies and procedures.

c. Risk management policy

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board has delegated to the Audit and Risk Committee responsibility for implementing the risk management system.

The Audit and Risk Committee submits particular matters to the Board for its approval or review.

Among other things the Audit and Risk Committee is responsible for:

- overseeing the Company's risk management systems, practices and procedures to ensure effective risk identification and management, and compliance with internal guidelines and external requirements;
- assisting management to determine whether the Company has any material exposure to economic, environmental and/or social sustainability risks and, if it does, how it manages, or intends to manage, those risks;
- assisting management to determine the key risks to the businesses, and prioritising work to manage those risks; and
- reviewing reports from management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance and improving the effectiveness of risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- compliance with applicable laws and regulations:
- preparation of reliable published financial information; and
- implementation of risk transfer strategies where appropriate (e.g. insurance).

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and report back at each Audit and Risk Committee at least annually. The Board reviews assessments of the effectiveness of risk management and internal compliance and control at least annually.

d. Principal Risks

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation.

Early stage status and funding requirements

The Company is currently an early stage mineral exploration business and all of the Group's activities will be likely directed towards exploration and, if warranted, the subsequent development of its existing projects and the search for new mineral deposits to maintain a pipeline of projects.

Significant capital investment will be required and losses are expected to continue in the near future until the Company has successfully transitioned into production. The Company has successfully raised funds in the equity markets during the year and given the strong economics of the Vares Silver Project and market support, we remain confident in our ability to raise further finance for our ongoing activities as necessary. We do not anticipate COVID-19 having a detrimental effect on this.

PRINCIPAL RISKS AND UNCERTAINTIES
- CONTINUED

Commodity pricing

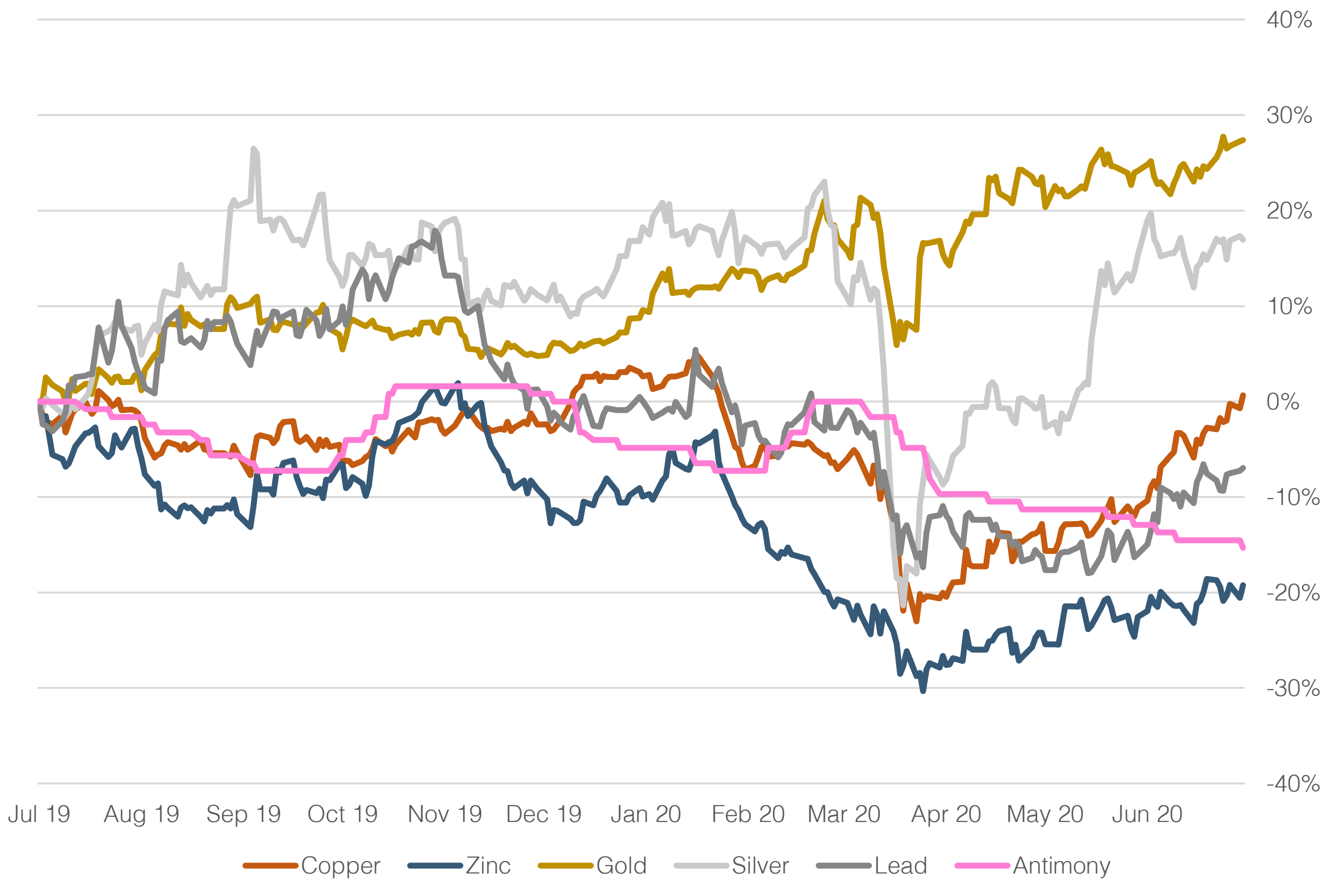
The November 2019 scoping study indicated the contribution to income by element from concentrate sales, based on pricing assumptions at that time, to be as summarised in the table below:

Contribution	Total	Zn Conc	Pb Conc	Ba Conc
Zinc	30.3%	84%	0%	0%
Lead	17.7%	0%	33%	0%
Copper	2.6%	0%	5%	0%
Barite	10.0%	0%	0%	100%
Gold	11.0%	9%	14%	0%
Silver	25.3%	7%	42%	0%
Antimony	3.2%	0%	6%	0%
Total	**100.0%**	**36%**	**54%**	**10%**

The Company seeks to mitigate commodity pricing risks by attracting long term investors, routine monitoring of commodity pricing trends, exploration project results and development study outcomes to ensure efficient use of capital.

The price performance during the year of relevant commodities for the Vares Silver Project are shown in the graph below. Following the strengthening of precious metals prices in Q2 2020 these are now expected to contribute more than 50% of revenue at current prices.

Commodity Performance



79
Au
Gold
196.967

Gold

Price has been volatile over past year but appreciated 27% over the 12 months from Jul-19. The precious metal has seen a post-COVID-19 rebound of 20% from a low of US$1,472 to US$1,771 as of end of Jun-20.

47
Ag
Silver
107.868

Silver

Has seen a similar volatility to that of gold but appreciating by a smaller amount of 17% over the 12 months from Jul-19. Out of all the metals considered here, silver was most impacted by the COVID-19 shock in mid-March with the price dropping by nearly 30% to a low of 12.0. Since this low point the price has recovered strongly by 49% to US$17.9/oz as of end June 2020.

29
Cu
Copper
63.546

Copper

Since the 12 months from Jul-19 the copper price has pared losses ending up 0.65%. Copper prices fell by c. 10% during the COVID-19 shock in March reaching a low of US$4618/t. Since then the price has recovered by 31% to US$6,038/t as of end June 2020.

30
Zn
Zinc
65.39

Zinc

Zinc has been the worst performing of all the base metals considered here with the zinc price down 20% in the 12 months from Jun-19. The price was on a steady decline since Feb-20 until showing signs of a slow recovery since Mar-20. The metal has seen a post-COVID-19 rebound of 16% reaching US$2057 as of end June 2020.

82
Pb
Lead
207.2

Lead

The lead price has been on the decline since its highs of US$2,250/t in Nov-19. The price is down 7% in the 12 months from Jun-19 but has seen a 13% recovery from its post-COVID-19 low of US$1,577/t. The price as at end of June 2020 is US$1789/t.

51
Sb
Antimony
121.760

Antimony

(price delivered to Rotterdam of 99.65% ingots)

The antimony price has declined by 15% over the 12 months from Jun-19. With the metal's price following a similar trend to that of zinc and lead. The antimony price was mildly affected by the COVID-19 shock decreasing by less than 10%, however, unlike the other base and precious metals, the price has not recovered since Mar-20, instead it is down 11% from US$5,900 to US$5,250/t as at end June 2020.

Risks associated with exploration and development

There can be no assurance that exploration on the Vares Silver Project, or any other exploration properties that may be acquired in the future, will result in the discovery of an economic mineral resource. Even if an apparently viable mineral resource is identified, there is no guarantee that it can be economically exploited.

The Scoping Study on the Vares Silver Project released by the Company on 19 November 2019 constitutes a conceptual study based on low-level technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the Scoping Study will be realised or that any conceptual, projected or indicative net present value or internal rate of return referred to in the Scoping Study is assured by the Vares Silver Project or certainty as to estimation of ore reserves or any assurance of an economic development case at this stage.

The Company is mitigating these risks with the significant progress made during the year with infill drilling, which has increased confidence in the mineral resource estimate, technical studies and permitting for the Vares Silver Project which serve to de-risk the project and its commercial viability.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, insufficient or unreliable infrastructure (such as power, water and transport), unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, changing government regulations and many other factors beyond the control of the Company.

The Company is working with internationally recognised technical consultants to produce a construction and operational plan that mitigates these risks where possible through the use of industry best practice and the recruitment of capable, experienced staff and contractors.

Health & Safety

The Company has taken active steps throughout the year to establish and maintain a strong health & safety focussed work-place culture. New joiners go through an induction programme which covers OHS and there is a programme of continuation training run by the Health & Safety Manger. Notably training has been Working at Height and Winter Driving training courses

Community/NGO Concerns Affecting Exploration/ Operational Activity

The Company has taken a forward stance on its engagement and involvement of all its stakeholders since operations began in 2017. To date there have been no restrictions to operations and the Company enjoys a very successful relationship with the near mine communities. An active media campaign provides regular updates to all the local communities and the ESG team regularly meet and listen carefully to the feedback given by community leaders. Whilst the Company enjoys both a cooperative relationship with its stakeholders and has not been approached by any NGO to date it is clear that it must not be complacent and continue to put ESG at the front of its operational activity.

PRINCIPAL RISKS AND UNCERTAINTIES
- CONTINUED

Risks associated with exploration and development - continued

Land Acquisition

The development of the project will require the acquisition of private land. The Company recognises the importance of its approach to this potentially problematic requirement and is developing policies in accordance with EBRD's Performance Requirement 5 which provides guidance on best practice.

Veovaca Historic Tailings Dam

There is the potential that the community near the project will consider the historic Veovaca tailings dam to be the responsibility of the Company prior to the issuance of the exploitation permit. The Company has cooperated closely with the Municipality throughout the year and whilst not required to do so has commissioned independent expert appraisal of the dam, its structural integrity and any associated environmental degradation. The water, air and dust monitoring during the ESIA process will establish the baseline conditions around the tailings dam and a Management Plan will be developed to address any issues identified.

Bribery & Corruption

The Company's code of corporate governance specifies the measure the Company takes to comply with all applicable Anti Bribery & Corruption legislation. The Board, through its statutory oversight commitment enforces adherence and management have implemented policy and provided training to all staff, with refresher training programmed as part of the HR management plan.

In-country Risks in Bosnia and Herzegovina

The Company will be subject to the risks associated with operating in Bosnia and Herzegovina, including various levels of political, sovereign, economic and other risks and uncertainties, which include, but are not limited to, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, renegotiation or nullification of existing concessions, licences, permits and contracts, illegal mining, changes in taxation policies, restrictions on foreign exchange and repatriation and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Operations and the Company's development and profitability may be affected in varying degrees by government regulations (and changes to government regulations) with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

The Company seeks to mitigate these risks through effective engagement with relevant stakeholders including all levels of government and local communities.

Political Instability

The Company acknowledges the potential impact of political instability to its abilities to operate and deliver the mine. To mitigate this risk the Company monitors closely the National political situation and considers every engagement with key political (at all levels, including internationally) carefully. Each meeting is minuted in detail.

A political framework and relationship mapping exercise was completed in June to better identify the relationships and impact that part politics may have on operations.

An Anti-Mining Mayor Elected. Municipal elections are programmed for Q4 2020 and there is the potential that an anti-mining mayor could be elected. Whilst this risk is considered to be 'rare' given the level of support currently enjoyed by the Company it mitigates this by meeting and where possible exceeding all applicable legislative requirements.

Risks associated with mining concessions in Bosnia and Herzegovina

The laws and regulations on mining in Bosnia and Herzegovina are still developing and as a result some areas of the law on mining are unclear. Additionally, certain provisions of the Exploration Concession are unclear and may require renegotiation or clarification, the outcome of which the Company cannot guarantee. If the Company does not comply with the terms of the agreement it may be in default and the Exploration Concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.

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

There is no guarantee that the Company will be able to obtain all required approvals, licences and permits relating to its exploration and subsequent exploitation activities. To the extent that required authorisations are not obtained or are delayed, the Company's operational and financial performance may be materially adversely affected.

Notwithstanding these risks, the Company has made good progress during the year when it secured the Annex 4 to the concession in particular. The progress of ongoing permit applications to facilitate exploration and subsequent exploitation activities are closely monitored by management and the board.

Permitting Delays

The Company must work very closely with the government departments responsible for permitting the project. Open and regular dialogue to identify and resolve any issues is critical. The public consultation meeting, required for the issuance of the Rupice Environmental License, was delayed whilst the Environmental ministry was considering how to run such a gathering under the restriction of COVID-19. Through discussion with the government and the suggestion that EBRD's guidance for stakeholder engagement during the pandemic this meeting was held successfully, in the open air, during August.

Risks associated with Commodity Prices and Currency Exchange Rates

The value of the Company's assets and potential earnings as well as costs and expenses may be affected by fluctuations in commodity prices and exchange rates, such as the US$ and GBP denominated zinc, lead, gold, silver, copper and barite prices, and exchange rates affecting USD, GBP, AUD and BAM.

The Company monitors these risks by tracking commodity and exchange rates in its internal financial modelling of the Vares Silver Project.

Risks associated with resource and reserve estimates

Resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Such estimates may alter significantly when new information or techniques become available and are, by their very nature, imprecise and depend to some extent on interpretation which may prove to be inaccurate.

The Company follows industry standard QAQC practices and has engaged CSA Global, an internationally recognised geological consultancy, to undertake resource estimates and reduce the inherent risks associated with resource and reserves estimation.

Risks associated with reliance on key personnel

The Group will rely heavily on a small number of key individuals, in particular the Directors, its senior management and consultants. The loss or diminution in the services of any of the Directors or any member of the management team or an inability to recruit, train and/or retain necessary personnel could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

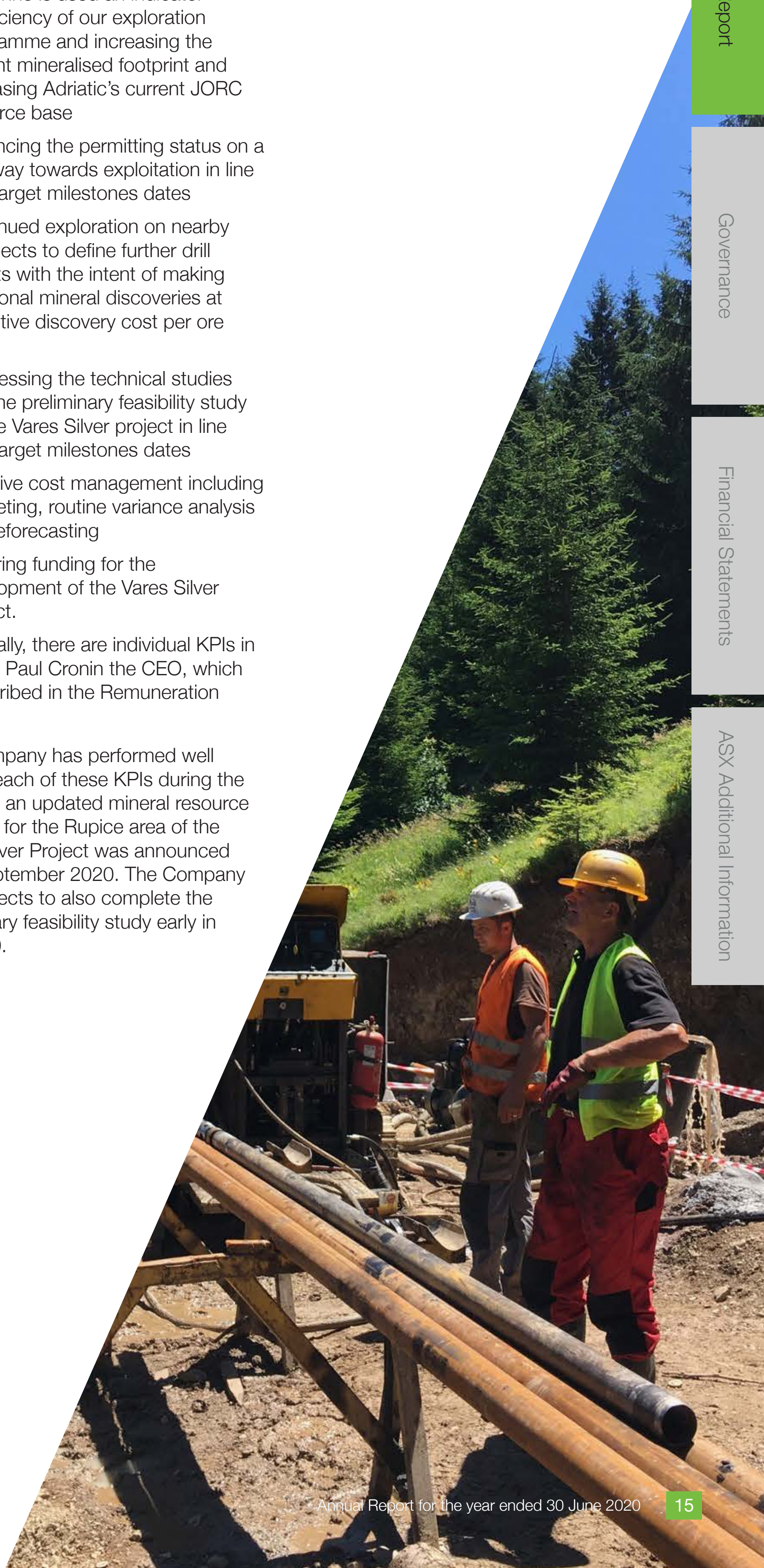
Key Performance Indicators

The near term and primary performance indicators (KPIs) for Adriatic are related to its exploration activities and include:

- Exploration cost per discovery ore tonne is used an indicator of efficiency of our exploration programme and increasing the current mineralised footprint and increasing Adriatic's current JORC resource base
- Advancing the permitting status on a pathway towards exploitation in line with target milestones dates
- Continued exploration on nearby prospects to define further drill targets with the intent of making additional mineral discoveries at attractive discovery cost per ore tonne
- Progressing the technical studies and the preliminary feasibility study for the Vares Silver project in line with target milestones dates
- Effective cost management including budgeting, routine variance analysis and reforecasting
- Securing funding for the development of the Vares Silver Project.

Additionally, there are individual KPIs in place for Paul Cronin the CEO, which are described in the Remuneration Report.

The Company has performed well against each of these KPIs during the year and an updated mineral resource estimate for the Rupice area of the Vares Silver Project was announced on 1 September 2020. The Company also expects to also complete the preliminary feasibility study early in Q4 2020.



WE CONTINUOUSLY INTERACT WITH A VARIETY OF STAKEHOLDERS

DIRECTORS' SECTION 172(1) STATEMENT

The Board acknowledges the importance of forming and retaining constructive relationships with all stakeholder groups. Effective engagement with stakeholders enables the Board to ensure stakeholder interests are considered when making decisions and is crucial for achieving the long term success of the Company.

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to of the Companies Act 2006 and forms the Directors' statement required under that Act. This reporting requirement is made in accordance with the corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly between members of the Company.

In the above Strategic Report section of this Annual Report, the Company has set out its overall goal and its strategic priorities for attaining it.

This Statement addresses:

a) Stakeholder engagement, with information on stakeholders, issues and methods of engagement

b) Principal decisions made by the Board, and how stakeholder considerations influenced the decision-making process

a. Stakeholder engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders who are important to its success, including shareholders, debt providers, staff, national, cantonal and municipal government administrative and environmental bodies, NGOs, the local community, and suppliers.

In its engagement with shareholders, Adriatic endeavours to strike a proper balance between open communication and the need to keep commercially sensitive information confidential

The Group recognises that its activities and forthcoming development of the Vares Silver mine creates significant potential impacts on, as well as opportunities for, local people. The management of environmental and social issues will be based on an international standard ESIA. In addition, the Group is committed to regular consultation and engagement with the community including through a Community Information Centre and Community Liaison Committee.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Equity Investors All substantial shareholders who own more than 3% of the Company's shares are listed on page 54 within the Governance Report. On 30 October 2019 the Company completed a 25 million share Institutional Placement which was strongly supported by existing shareholders and introduced a number of new, high quality global institutional investors to Adriatic's share register. Sandfire Resources holds 15.9% of the shares of the Company, and until 8 July 2020 had a representative on the Board of the Company. At the end of June 2020, shares held in public hands (defined as shares not held by persons associated with the Company or holding over 5%) constituted 55.16% of the total shares in issue.	Access to capital is of vital importance to the long term success of our business and achieving value for shareholders. Engagement activities are designed to inform shareholders of Adriatic's progress towards achieving its strategic objectives and develop an investor base that will support the Company in achieving those objectives.	The key mechanisms of engagement included: **Substantial Shareholders:** • Sandfire Resources appointed a Director under the terms of its Collaboration and Strategic Partnership Deed. • The other existing substantial shareholders held periodic meetings with the Chairman, CEO and CFO. **Prospective and existing investors:** • The AGM and Annual and Interim Reports. • Investor roadshows and presentations. • One-on-one investor meetings with the Chairman, CEO and CFO. • Access to the Company's brokers and advisers. • Regular news and project updates. • Social media accounts. • Site visits for potential cornerstone investors. Adriatic has an Investor Relations Manager, Emma Chetwynd Stapylton, emmacs@AdriaticMetals.com, whom shareholders with queries are encouraged to contact in the first instance.	We engaged with investors on topics of strategy, governance, project updates and performance. Please see Dialogue with Shareholders section of the Annual Report on page 52. The CEO presented at a number of investor roadshows and one-to-one meetings.
Potential debt providers	Particularly during its initial development period, Adriatic may incur substantial debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. To achieve the outcomes indicated in the Vares Silver Project Scoping Study, external funding will be required to finance the capital expenditure to construct the mine, grinding mill, project infrastructure and processing plant. It is expected that the finance will be derived from a combination of equity and debt instruments from existing shareholders, new equity investment, and debt providers. The Group is commitment to international best practices and to working to the standards set out in the Equator Principles and the EBRD Performance Requirements.	• One-to-one meetings with the CEO and/or CFO. • Regular updates on project progress. • Adhoc discussions with management as required.	The Company has not yet selected a debt provider or mandated lead arranged for the Vares Silver Project.

DIRECTORS' SECTION 172(1) STATEMENT
- CONTINUED

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Workforce The Company has six UK employees. Three of the Directors are UK resident and three are overseas resident. The Chairman and CEO are UK-based. The CFO is based in Jersey, Channel Islands. The Company has 27 employees based in Bosnia-Herzegovina.	The Company's long term success depends to a large degree on the expertise, loyalty and commitment to Adriatic's values of its workforce. The Board recognises that reliance on key personnel is a known risk (see page 15). The Board recognises the importance of company culture and of establishing employee alignment on issues like safety and health, business integrity and sustainable development. The Company has an absolute commitment to safe operations and the principle of 'do no harm'.	**General Workforce:** • Adriatic maintains an open line of communication between its employees, senior management and Board. • The Company monitors HSE obligations and reports performance against these. **UK employees:** • The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited to some of the audit committee meetings. • There is a formalised employee induction into the Company's corporate governance policies and procedures. **Bosnian employees:** • There is a Bosnian HR Function. • Senior management regularly visit the operations in Bosnia-and Herzegovina and engage with its employees through one-on-one and staff meetings, employee events, project updates, etc. • The Company is looking to establish a formal consultation mechanism during 2020/21	**General Workforce:** The company maintained an excellent safety record during the year. **UK Employees:** The number of employees in the UK increased by four during the year. **Bosnian employees:** The Company has attracted a further 22 employees to the workforce during the year with excellent staff retention.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Governmental bodies The Company has to deal with local (Municipal), regional (Canton) and national (Federal) government in Bosnia-Herzegovina.	The Company will only be able to commence production once it receives the relevant licences and permits from all levels of government to mine and process ore.	The Company engages with the relevant departments of the Bosnian government to obtain the operational licences it will require. In addition to statutory reporting the Company regularly updates the government departments and that open, continuous engagement is key to developing a successful permitting regime. The Country Manager reports regularly to the Board on progress with obtaining licenses and permits. The Group is committed to being a long term actor in Bosnia with a firm commitment to the country's sustainable development. We are committed to conducting our relationships on the basis of transparency, partnership and integrity	The Company announced on 29 January 2020 that it had entered into Annexure 4 to its Concession Agreement with the Ministry of Economy for Zenica-Doboj Canton. This Annex granted the Company rights to the gold, silver and copper in addition to the lead, zinc and barite at Veovaca and Rupice. On 28 August the Canton awarded a further precious and base metals concession covering 32sq km of highly prospective land between the two deposits and further following the geological trend from Veovaca to the South East. In July 2020 the Company was issued its Environmental Permit for Veovaca mine, processing plant and tailings facility. This will be followed, pending confirmation by the Cantonal Urban Planning Department of the Exploitation Licence (Q3/4 2020). The Public Consultation prior to the issuance of the Environmental Permit for Rupice was held on 31 August. This final stage of the process will allow issuance in Q4 2020 and subsequent application for the Exploitation Licence.

DIRECTORS' SECTION 172(1) STATEMENT
- CONTINUED

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Community The near-mine communities in Vares and Kakanj and the wider population of the municipalities and Canton of Zenica-Doboj.	Establishing and maintaining good relations with the local community throughout the development, operation and ultimately closure of the mine is vital for the Company's social licence to operate. Principally the Company needs to engage with its affected communities in order to build trust. Developing this will increase the likelihood that any fears raised can be assuaged and the Company's plans and strategies are more likely to be accepted. Community engagement will inform better decision making, particularly during the project planning stage. The municipality of Vares area and the surrounding supply the majority of the Company's employees now and in the future. The Company will in due course have a significant social and economic impact on the local community and surrounding area. Dissemination of project developments, the advertisement of the public consultations and the function of the Info Centre is a cornerstone of the Company's ESG policy.	The Company, assisted by its contracted Environmental, Social and Governance consultant and advised by Critical Resource (ESG experts) is following a carefully constructed programme of engagement. From the development of a Stakeholder Engagement Plan (listing all project stakeholders and the engagement with each), the establishment of an Info Centre and appointment of community officer to the initiation of a 27 member strong Public Liaison Committee the Company is adhering to best international practise as proscribed by both the EBRD's Performance Requirements and the IFC's Performance Standards. The Company established a Board ESG Committee which will, inter alia, monitor Adriatic's engagement with its stakeholders. The ESG charter and policy commits the Group to ensuring sustainable growth, with minimal adverse impacts. The Group employs the majority of its current (and future) staff from the municipality of Vares and as the Company approaches the build phase of the project a Local Business Development Officer has been appointed to encourage/ support local procurement and contracting. Social, print, radio and television media platforms have all been utilised. A bi-weekly interview with members of staff is broadcast on "Radio Bobovac", which is listened to by 80% residents of Vares. Most recently a Media Co-ordinator has been bought onto the team in Vares, particularly to focus on the increasing social media flow associated with the project.	Effective media penetration both locally and regionally, increasing social media presence which will be further propagated and used for local recruitment.

Key Stakeholder groups	Reason to engage	Engagement method	Engagement outcome
Suppliers During the construction phase of the Vares Silver Project Adriatic will use key suppliers under commercial engineering contracts to deliver the mine and plant, all of whom are expected to be large international vendors. At a local level, we also partner with a variety smaller companies, some of whom are independent or family run businesses.	Our suppliers are fundamental to ensuring that the Company can construct the project on time and budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners.	• The Management team has commenced preliminary discussions with a number of potential EPCM providers and mining contractors. • One on one meetings between management and suppliers. • Contact with procurement department and accounts payable.	Smaller local vendors were engaged at a broader level to better align with company objectives and increase local and regional project content.
Partners In May 2018 Adriatic entered into a Strategic Cooperation Agreement with the Australian copper producer Sandfire Resources (a substantial investor in the Adriatic IPO which at end-June 2020 held 15.87% of Adriatic's shares).	This partnership was intended to allow the Company to benefit from Sandfire's significant technical expertise to develop its Veovaca and Rupice Projects, as well as further strategic support as Adriatic moves to unlock the potential from its first mover status and regional exploration portfolio.	• Adriatic and Sandfire formed a Technical Committee to oversee the strategy and implementation of the exploration and development of these Projects. • The Technical Committee met in April 2019 but has not had any subsequent meetings. • Under the partnership agreement Sandfire Resources is entitled to nominate one Non-executive Director to the Board of the Company for as long as Sandfire holds 10 percent or more of Adriatic's issued ordinary shares. John Richards served in this capacity from November 2019 until July 2020.	

IDENTIFY AND ACQUIRE SUBSTANTIALLY ACCRETIVE ASSETS

PRINCIPAL DECISIONS BY THE BOARD DURING THE YEAR

We define principal decisions as those which potentially have a long term strategic impact and are material to the Group, and/or are significant to our key stakeholder groups. In making the following principal decisions, the Board considered how they would affect its stakeholders, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company:

a. Equity capital raising:

In September 2019, the board decided to seek to raise additional equity for the Company to advance the Vares Silver project and general working capital requirements. The Company announced the completion of a A$25 million institutional placement at an issue price of A$1.00 per share on 30 October 2019.

b. Listing of shares on the London Stock Exchange:

In October 2019 the Board decided that Adriatic should seek secondary listing of its shares on the Standard Segment of the Main Market of the London Stock Exchange. In doing so it hoped to accommodate and stimulate the interest already shown in the project by investors in the United Kingdom and Europe. The shares were admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market on 12 December 2019.

Following the London listing there has been a significant increase in European investors holdings.

Adriatic continues to retain its ASX listing.

c. Proposal to acquire Tethyan Resource Corporation:

In June 2020 Adriatic and Tethyan Resource Corp. announced that they had entered into a Definitive Arrangement Agreement whereby Adriatic will acquire 100% of the outstanding common shares of Tethyan, in consideration for the issuance of 0.166 of an ordinary share of Adriatic for each common share of Tethyan.

In conjunction with the transaction, Adriatic provided a secured convertible loan facility to Tethyan of up to €1.3 million in three tranches. The loan facility, which if fully converted would result in Adriatic holding 14.5% of the outstanding common shares of Tethyan, was provided to enable Tethyan to close the transaction for the acquisition of EFPP d.o.o., the holder of parts of the Kizevak and Sastavci deposits, to commence confirmation drilling at Kizevak and to meet Tethyan's working capital needs until completion of the acquisition by Adriatic.

The acquisition will result in the addition of Tethyan's Serbian brownfield development projects, Kizevak and Sastavci, and its large prospective landholding on the Tethyan mineral belt. It will position the enlarged Adriatic as the leading Balkan base and precious metals developer. Adriatic plans to advance the historically producing Kizevak and Sastavci polymetallic mines in the Raska district of southwestern Serbia towards a maiden JORC compliant resource by the end of 2021

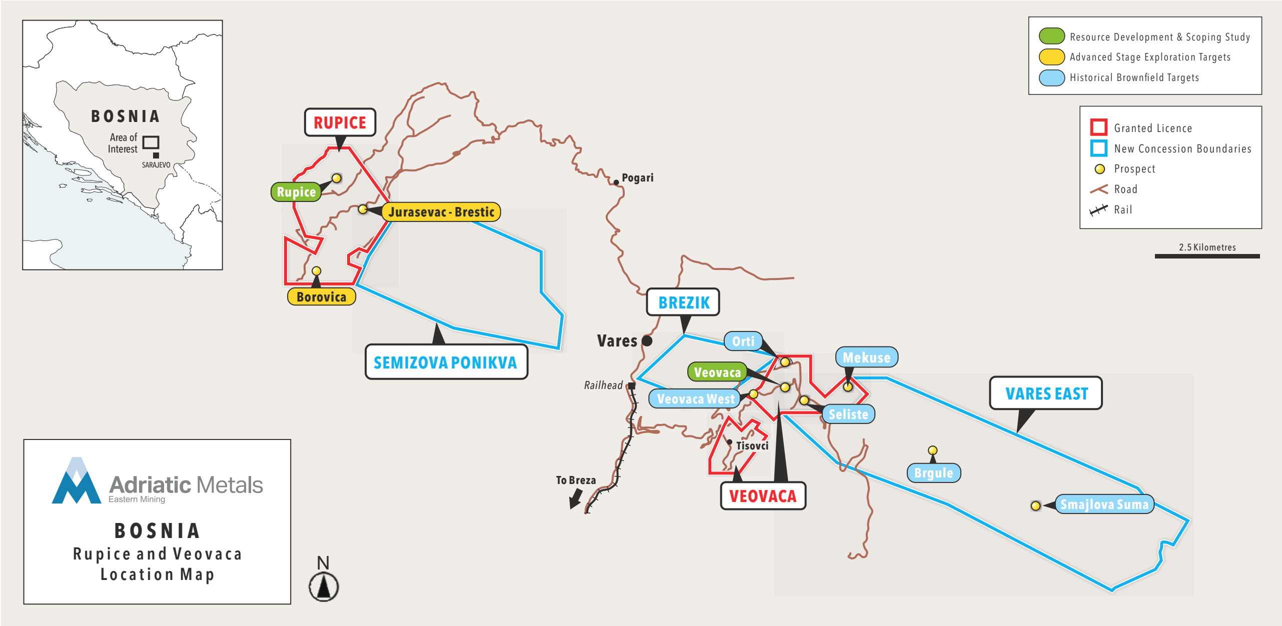
The acquisition of Tethyan is the first phase of implementing a strategy to identify and acquire substantially accretive assets to Adriatic's portfolio of high value, high margin assets. It is expected to leverage Adriatic's core strengths so as to realise value growth and further Adriatic's aim of becoming a UK based, European focused, multi-asset mining company.

OUR ASSETS

The primary focus of the Group is the Vares Silver Project located approximately 50 km north of Sarajevo, in the district of Vares. Mineral Resources have been estimated at the Veovaca and Rupice deposits and further exploration potential exists across the recently enlarged concession area.

Adriatic, through its wholly owned subsidiary company, Eastern Mining d.o.o., owns 100% of the Vares Silver Project concession which had a total area of 865.75 hectares at 30 June 2020 and extends over the entirety of the Veovaca and Rupice deposits defined to date. The concession area expiry date is 2038 and can be extended upon written request for a further 10 years.

Additionally, in September 2020 the Group successfully secured a further 32.12km2 extension to its existing concession. The significantly expanded Concession area includes an area between Veovaca and Rupice (Semizova Ponikva & Brezik), and to the east of current Veovaca concessions (Vares East) as shown in the diagram. The new areas are a high priority for future exploration and drilling.



Eastern Mining is the first company to undertake any exploration at the deposits and in the surrounding Vares District since the late 1980s and has compiled historical exploration activities for the concession and surrounding areas and has completed recent exploration works, including drilling, and has publicly disclosed a current Mineral Resource statement. Exploration by Adriatic has focused on activities at the Rupice and Veovaca areas within the concession, including geophysical programs (induced polarisation and gravity), soil geochemical programs, drilling at Veovaca and Rupice, and evaluation of the corridor between Rupice and Jurasevac-Brestic, and Veovaca and Orti. A Scoping Study on the Vares Silver Project was released in November 2019, outlining a robust, high margin project for low up-front capital expenditure.

High-grade mineral resources with strong potential for exploration upside

Resources have been delineated at both the Veovaca and Rupice deposits at the Vares Silver Project, containing high grades of silver, gold, zinc, lead, copper and barite with good potential for mine development. These resources have the potential for extension along strike and at depth. The hydrothermal system driving mineralisation at the Vares Silver Project typically occurs in clusters, which suggests a potential for further discoveries in the licence area. The maiden mineral resource reported during the year at Rupice totalled 9.4Mt at a zinc equivalent grade of 16.4% while the current mineral resource at Veovaca totals 7.4Mt at a zinc equivalent grade of 3.7%. The mineral resources at Rupice were subsequent updated in September 2020, after the year end as set out in the Mineral Resource section below.

Excellent metallurgical recoveries and concentrate grades

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

Existing infrastructure in a historical mining district

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

OUR ASSETS - CONTINUED

Mineral Resources

On 23 July 2019, the Company announced a maiden Mineral Resource estimate for the Rupice deposit and updated Mineral Resource estimate for the Veovaca deposit of the Vares Silver Project which confirmed Rupice as Bosnia's highest-grade polymetallic deposit with significant silver and gold credits, with 80% of the Mineral Resource in the Indicated Resource category

The maiden Rupice Indicated and Inferred Mineral Resource estimate, prepared by CSA Global Pty Ltd in Perth, was:

Rupice Mineral Resources, July 2019

JORC Classification	Tonnes (mt)	Grades						Contained metal					
		Zn	Pb	$BaSO_4$	Au	Ag	Cu	Zn	Pb	$BaSO_4$	Au	Ag	Cu
		%	%	%	g/t	g/t	%	Kt	Kt	Kt	Koz	Moz	Kt
Indicated	7.5	5.7	3.7	34	2.0	207	0.6	430	280	2,590	470	50	46
Inferred	1.9	2.4	1.6	18	0.9	86	0.3	50	30	330	60	5	6
Total	**9.4**	**5.1**	**3.3**	**31**	**1.8**	**183**	**0.6**	**480**	**310**	**2,920**	**530**	**55**	**52**

Notes:

- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 0.6% zinc equivalent has been applied.
- 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.
- The applied formula was: ZnEq = Zn% * 90% + 0.8 * Pb% * 90% + 0.08 * $BaSO_4$% * 90% + 1.8 * Au(g/t) * 90% + 0.019 * Ag(g/t) * 90% + Cu% * 2.4 * 90%.
- It is the opinion of Adriatic 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.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent test work results.
- A bulk density was calculated for each model cell using regression formula BD = 2.88143 + $BaSO_4$ * 0.01555 + Pb * 0.02856 + Zn * 0.02012 + Cu * 0.07874 for the barite high-grade domain and BD = 2.76782 + $BaSO_4$ * 0.01779 + Pb * 0.03705 + Zn * 0.02167 + Cu * 0.07119 for the barite low-grade domain (the barite domains were interpreted using 30% $BaSO_4$).
- Rows and columns may not add up exactly due to rounding.

The Veovaca Indicated and Inferred Mineral Resource estimate, prepared by CSA Global Pty Ltd in Perth in June 2019, was:

Veovaca Mineral Resources

JORC Classification	Tonnes (mt)	Grades					Contained metal				
		Zn	Pb	$BaSO_4$	Au	Ag	Zn	Pb	$BaSO_4$	Au	Ag
		%	%	%	g/t	g/t	Kt	Kt	Kt	Koz	Moz
Indicated	5.3	1.6	1.0	16.1	0.1	50	83	50	860	14	9
Inferred	2.1	1.1	0.5	5.9	0.1	17	23	10	120	4	1
Total	**7.4**	**1.4**	**0.9**	**13.2**	**0.1**	**41**	**106**	**70**	**980**	**18**	**10**

Notes:

- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 0.6% ZnEq has been applied.
- ZnEq was calculated using conversion factors of 0.80 for lead, 0.08 for $BaSO_4$, 1.80 for gold and 0.019 for silver, and recoveries of 90% for all elements. Metal prices used were US$2,500/t for zinc, US$2,000/t for lead, US$200/t for $BaSO_4$, US$1,400/oz for gold and US$15/oz for silver.
- The applied formula was: ZnEq = Zn% * 90% + 0.8 * Pb% * 90% + 0.08 * $BaSO_4$% * 90% + 1.8 * Au(g/t) * 90% + 0.019 * Ag(g/t) * 90%.
- 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.
- A bulk density was calculated for each model cell using regression formula BD = 2.70855 + $BaSO_4$ * 0.01487 + Pb * 0.03311 + Zn * 0.03493.
- Rows and columns may not add up exactly due to rounding.

On 1 September 2020 the Company announced an updated Indicated and Inferred Mineral Resource estimate for the Rupice deposit of the Vares Silver Project, prepared by CSA Global Pty Ltd in Perth, as set out in the table below. The updated Mineral Resource estimate for Rupice represents a 32% increase in tonnes compared to the Rupice maiden Mineral Resource estimate (using a 50g/t AgEq cut-off).

Rupice Mineral Resources, September 2020

JORC Classification	Tonnes (mt)	Grades							Contained metal						
		Ag	Zn	Pb	Au	Cu	Sb	$BaSO_4$	Ag	Zn	Pb	Au	Cu	Sb	$BaSO_4$
		g/t	%	%	g/t	%	%	%	Moz	Kt	Kt	Koz	Kt	kt	Kt
Indicated	9.5	176	4.9	3.1	1.6	0.5	0.2	29	54	466	294	500	52	22	2,732
Inferred	2.5	49	0.9	0.7	0.3	0.2	0.1	9	4	23	18	27	4	3	218
Total	**12.0**	**149**	**4.1**	**2.6**	**1.4**	**0.5**	**0.2**	**25**	**58**	**488**	**312**	**526**	**56**	**24**	**2,949**

Notes:

- Mineral Resources are based on JORC Code definitions.
- A cut-off grade of 50g/t silver equivalent has been applied.
- AgEq – Silver equivalent was calculated using conversion factors of 31.1 for Zn, 24.88 for Pb, 80.0 for Au, 1.87 for $BaSO_4$, 80.87 for Cu and 80.87 for Sb, and recoveries of 90% for all elements. Metal prices used were US$2,500/t for Zn, US$2,000/t for Pb, $150/t for $BaSO_4$, $2,000/oz for Au, $25/oz for Ag, $6500/t for Sb and $6,500 for Cu.
- The applied formula was: AgEq = Ag(g/t) * 90% + 31.1 * Zn(%) * 90% + 24.88 * Pb(%) * 90% + 1.87 * $BaSO_4$% * 90% + 80 * Au(g/t) * 90% + 80.87 * Sb(%) * 90% + 80.87 * Cu(%)* 90%
- 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.
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent and ongoing test work results.
- A bulk density was calculated for each model cell using regression formula BD = 2.745 + $BaSO_4$ * 0.01793 + Pb * 0.06728 - Zn * 0.01317 + Cu * 0.1105 for the halo domain, BD = 2.7341 + $BaSO_4$ * 0.01823 + Pb * 0.04801 + Zn * 0.03941 - Cu * 0.01051 for the fault zones and BD = 2.7949 + $BaSO_4$ * 0.01599 + Pb * 0.05419 + Zn * 0.01169 + Cu * 0.06303 for the low grade domain. Bulk density values were interpolated to the combined high-grade domain from 631 BD measurements.
- Rows and columns may not add up exactly due to rounding.

There have been no material adverse changes in the assumptions underpinning the forecast financial information or material assumptions and technical parameters underpinning the mineral resource estimate since the original relevant market announcements which continue to apply.

In addition to the Company's internal resources, the Company also utilises the services of independent specialist consultants including CSA Global and others as part of the governance and internal controls in relation to mineral resource estimates and the reporting thereof.

Competent Persons' Report

The information relating to the Mineral Resources estimates in this Annual Report are based on and fairly represents information and supporting information compiled by Dmitry Pertel. Dmitry Pertel is a full-time employee of CSA Global and is a Member of the Australian Institute of Geoscientists. Dmitry Pertel has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). Dmitry Pertel consents to the disclosure of information in this report in the form and context in which it appears.

The information in this report which relates to Exploration Results is based on, and fairly represents, information compiled by Mr Philip Fox, who is a member of the Australian Institute of Geoscientists (AIG). Mr Fox 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 "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Fox consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

The information in this report which relates to Metallurgical Results is based on, and fairly represents, information compiled by Mr Philip King of Wardell Armstrong. Mr King and Wardell Armstrong are consultants to Adriatic Metals plc and Mr King has sufficient experience in metallurgical processing of the type of deposits under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr King is a Fellow of the Institute of Materials, Minerals & Mining (which is a Recognised Professional Organisation (RPO) included in a list that is posted on the ASX website from time to time), and consents to the inclusion in this report of the matters based on that information in the form and context in which it appears.

THE NEXT FINANCIAL YEAR WILL BE THE MOST EXCITING IN OUR HISTORY

CEO STATEMENT

Paul Cronin,
Managing Director and CEO

We have defined a world class environmental, social and governance pathway at Adriatic

The 2019-20 financial year has brought both opportunity and challenges for our fast growing company. Whilst our share price performance has been positive, this quantifiable result has been underlined by many operational results that have positioned the Company for future growth. Given the rapid acceleration of the project from a maiden resource at Rupice in July, via initial Scoping Study in November, we have successfully expanded our staff to include professionals with extensive and unique technical expertise, to those who are joining a company for the first time, and looking for guidance from experienced managers

Our maiden Mineral Resource Estimate at Rupice of 9.5 million tonnes of high-grade resource set the platform for an initial economic assessment which delivered an estimated 107% Internal Rate of Return on the Vares Silver Project, with modest expectations of up-front capital of US$178.4 million. Our ongoing exploration program has significantly increased this resource as seen in our updated MRE in September 2020.

Our staff have worked diligently through the COVID-19 pandemic to ensure that our company and its projects have continued to advance at a rapid pace, drilling over 15,000m during the year, and continuing to expand our mineralised footprint at Rupice, whilst testing the historical data at Jurasevac, Brestic and Borovica. We commenced our International Environmental and Social Impact Assessment, and have made significant progress on our Pre-Feasibility Study, which is due for completion in early Q4 this year. It is a particular source of pride that we have made very significant progress with the drilling programme whilst maintaining an excellent safety performance.

We have defined a world class Environmental, Social and Governance pathway at Adriatic, that is values based and sustainability measured, incorporating Human Resource development objectives, procurement policies and governance frameworks that set the company amongst the most proactive in terms of progressive sustainability within our industry. We continue to provide a foundation for these initiatives through strong corporate values and individual behaviours, which both enhance our value to our local community, but also align our operations with community expectations, and steadfast environmental stewardship. At Adriatic our values define us.

Our strategic intent was made clear during the year with the acquisition of Tethyan Resource Corp, and we look forward to demonstrating the value of that acquisition to our shareholders over the remainder of 2020, and into 2021. We have also been actively evaluating other opportunities that support our strategy of enhancing the inherent value in prior Yugoslav era exploration and cementing ourselves as a European based and operating mining company with a strong portfolio of base and precious metal operations.

The next financial year will be the most exciting in our history, as we seek to finalise our permits for the Vares Silver Project, complete our Definitive Feasibility Study and commence pre-development capital expenditure for site infrastructure.

I would like to thank our shareholders for their continued support, as well as our staff who individually and collectively make Adriatic, not only a great place to work, but a company primed for growth and success.

Paul Cronin
Managing Director and CEO

28 September 2020

OPERATIONAL REVIEW

Corporate review

The corporate structure of the Group is as follows:

Adriatic was incorporated in England and Wales on 3 February 2017. In addition to operating as a holding company of Eastern Mining, Adriatic is involved in the supervision of the exploration and development of the Vares Silver Project and commission of associated studies. The Company's principal assets are the investment in its wholly owned subsidiary Eastern Mining, intangible exploration and evaluation assets relating to work undertaken on the Vares Silver Project and cash generated from fundraising activities and the exercise of options.

Eastern Mining was registered in Bosnia and Herzegovina on 19 May 2008. Eastern Mining is the main operating entity of the Group and holds the Vares Silver Project concession which comprises the Rupice and Veovaca deposits.

Upon completion of the acquisition of Tethyan Resource Corp., expected to occur H2 2020, Adriatic will hold 100% of the outstanding common shares of Tethyan.

Project developments

Following the maiden Rupice Resource and updated Veovaca Resource at the Vares Silver project in July 2019, the Company set about confirming the metallurgical recoverability of the metals into saleable concentrate streams. The initial metallurgical test work results were encouraging, and delivered the following recoveries;

Ag	Au	Zn	Pb	Cu	$BaSO_4$
92.6%	66.7%	81.7%	90.4%	82.7%	71.7%

Further metallurgical test work produced a copper concentrate grading 25.1% copper and containing 9,550 g/t silver and 20.9 g/t gold. A sequential locked cycle test also produced saleable lead, zinc and barite concentrates. Additional test work is now being concluded for the Pre-Feasibility Study, assessing the flowsheet potential over a number of metallurgical variables.

The Scoping Study for the Vares Silver Project was completed and indicated an NPV_8 of US$917 million, IRR of 107% and project capital requirement of approximately US$178 million, and further expansion drilling of the deposit extended the known area of mineralisation along strike to the north of the existing resource area, and to the south east toward Jurasevac and Brestic.

Adriatic negotiated an amendment to the Vares Silver Project Concession Agreement, thereby confirming the Company's rights to gold, silver and copper in addition to zinc, and the royalty payable to the Canton increased from KM1.50 per tonne to KM3.90 per tonne.

Veovaca

The Environmental Permit was issued for Veovaca mine, processing plant and tailing facility.

Rupice

The Maiden Mineral Resource estimate confirmed Rupice as Bosnia's highest-grade polymetallic deposit with significant silver and gold credits.

Drilling to the north in the extended Rupice Licence area continued to intersect mineralisation, which remains open down-plunge to the north.

Reprocessing of gravity survey data over the Rupice and Jurasevac-Brestic areas highlighted several significant geophysical anomalies as drill targets.

CONSIDERING THE NEXT STEPS

FINANCIAL REVIEW

Geoff Eyre,
Chief Financial Officer
and Joint Company Secretary

The Group made an operating loss of £6,752,862 for the year ended 30 June 2020 compared with an operating loss of £2,163,209 in the prior year. The operating loss includes £3,315,634 of general and administrative costs (year ending 30 June 2019: £1,706,593) and share-based payment expenses of £3,443,359 (year ending 30 June 2019: £456,616). The increase in the operating costs during the year reflects the substantial ramp up in operating capability and capacity as the Company's move towards development of the Vares Silver Project.

Professional fees for the year ended 30 June 2020 also increased to £1,051,354 (year ending 30 June 2019: £399,131) and stock exchange fees for the year were £358,663, including a one-off fees for the initial listing of the Company's shares on the London Stock Exchange, compared to £51,221 in the prior year.

During the year ended 30 June 2020, the Group's finance income was £203,131 (year ended 30 June 2019: £37,505 comprising interest income of £50,366 and a foreign exchange gain of £152,765 attributable primarily to the appreciation of Australian dollars held by the Company following the A$25 million equity raise completed in October 2019. Finance expense was £11,580 compared to £291,949 in the prior year attributable foreign exchange losses. The Company's treasury policy was updated during the year to reduce the effect of foreign exchange volatility in future.

As part of the planned acquisition of TSX-V listed Tethyan Resource Corp via a plan of arrangement in British Columbia, the Company provided a convertible loan facility of €1.3 million to Tethyan which is secured via first ranking security over Tethyan's assets. At 30 June 2020 the Company had advanced £876,201 (€1 million) to Tethyan under the facility for confirmation and expansion drilling, geophysics, baseline environmental studies at the Raska project in Serbia and general working capital purposes. After the year end, in July 2020, a further €0.3 million was advanced to Tethyan and in August 2020 the loan facility amount was increased to €1.8 million and a further €0.5 million provided to Tethyan bringing the total amount advanced under the loan to €1.8 million. The Group did not advance any funds to third parties under loan agreements in the previous year.

The secured convertible loan to Tethyan was recognised at fair value of £1,241,514 (30 June 2019: £nil). The revaluation to fair value gave rise to a gain of £322,987 during the year that was recognised in the profit and loss account.

The total net assets of the Group increased to £20,895,753 as at 30 June 2020 from £10,248,889 at 30 June 2019, primarily as a result of the A$25 million equity raise in October 2019.

During the year £5,048,523 of expenditure was capitalised in exploration and evaluation assets (year ending 30 June 2019: £3,014,471) resulting in a net book of £9,045,169 at 30 June 2020 (30 June 2019: £3,971,210).

The Company also entered into a long term lease in December 2019 for a new head office premises in Cheltenham, UK resulting in the recognition of a right of use asset of £251,898 at 30 June 2020 (30 June 2019: £nil).

The cash balance at 30 June 2020 was £9,942,729 (A$17.8 million), an increase of £4,572,970 compared to 30 June 2019.

Net cash used in operating activities during the year was £2,807,191 compared to £1,768,824 in the prior year.

Investing activities included cash outflows relating to the purchase of exploration and evaluation assets £4,942,689 (30 June 2019: £3,014,471) reflecting the significant ramp up in activities levels associated with the delivery of the scoping study during the year and ongoing progress towards completion of the preliminary feasibility study for the Vares Silver project.

Net proceeds from the issue of shares provided a cash inflow of £13,296,266 during the year and included £743,544 of proceeds from the exercise of options and performance rights, compared £5,826,231in the prior year.

Funding Developments

On 30 October 2019, the Company announced the completion of a A$25 million institutional placement at an issue price of A$1.00 per share. The placement was strongly supported by existing shareholders and introduced a number of new, high quality global institutional investors to Adriatic's share register.

Thus far activities have been financed by equity and the Company does not have debt facilities in place. However, as part of our planning for construction of the Vares Silver project, the Company has engaged in discussion with several financial advisory firms with a view to selecting a partner to assist with the evaluation of the various funding options available to the Company and to select and secure the most appropriate financing package for the project.

We will update the market in due course as we progress with developments in this area.

Geoff Eyre
Chief Financial Officer
and Joint Company Secretary

28 September 2020

The strategic report of Adriatic Metals Plc on the preceding pages was approved and authorised for publication by the Board of Directors on 28 September 2020 and was signed on its behalf by:

Michael Rawlinson
Chairman

APPROPRIATE RESOURCES ARE AVAILABLE TO MEET OBJECTIVES

GOVERNANCE

a. Board Composition

As at 30 June 2020, the Board comprised a Non-executive Chairman, a Chief Executive, and three other Non- Executive Directors ("NEDs"). (Changes of membership during the year and since the year end are shown in the Company Directory on page 104.) As part of its annual performance evaluation process the Board, in conjunction with the Remuneration and Nominations Committee, keeps its structure under review in order to maintain an appropriate balance of executive and non-executive experience and skills. The most recent board performance effectiveness review was conducted during August and September 2020 following the appointment of Michael Rawlinson as Chairman. A summary of the findings will be compiled and included in the next Annual Report.

The Board considers the following NEDs who served during the year to have been independent: Peter Bilbe, Julian Barnes, Sandra Bates, Michael Rawlinson. None of these Directors is or has been an employee, had a significant business relationship or close family ties with related parties, or represented significant shareholders, although they all hold non-performance related options to acquire ordinary shares in the Company.

The QCA Code recommends that, in the interests of maintaining their independence, NEDs should not normally participate in performance-related remuneration schemes or have a significant interest in a company share option scheme; any performance-related remuneration for NEDs should be proportionate, and shareholders must be consulted and their support obtained. However, in Adriatic's case the options granted to the NEDs have no performance conditions and vested fully on the date of grant, and it is not considered that they compromise the NEDs' independence.

The Board has not yet considered it appropriate to nominate a Senior Independent Director but will keep this under review.

b. Board Terms of Reference and Powers (see Board Charter in Schedule1 to Corporate Governance Manual on the Company web site)

The Board derives its authority from the shareholders under the Company's Articles of Association. Its main duty is to drive the strategic direction of the Company while ensuring that appropriate resources are available to meet objectives and monitoring management's performance. Members of the Board have collective responsibility for the performance of the Company and must ensure that all decisions are taken in the interests of the Company as a whole, taking into account the interests of the various stakeholder groups.

Whilst the Board has delegated the normal operational management of the Company to the Managing Director and other senior management, it has reserved to itself specific matters including approving the Company's remuneration framework; reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance; approving and monitoring the progress of major capital expenditure; approving and monitoring the budget; and approving the annual and interim accounts.

The Board Charter requires that, where practical, the majority of Board members should be independent non-executives. An independent Director is a director who in the Board's opinion is free of any interest, position, association or relationship that might (or might be perceived to) influence materially his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

c. Director Commitments (see also Remuneration Committee Report on page 36)

The services of the Chief Executive, Paul Cronin, are supplied under a contract between Adriatic and Swellcap Limited, which is not required to provide these services on an exclusive basis, although any services it provides to third parties (up to a maximum of 30 days per year) must avoid conflicts of interest or any interference with its obligation to provide services to the Company.

Mr Cronin has a separate agreement with Eastern Mining d.o.o. (Adriatic's operating subsidiary) in respect of his role as Director of that company.

All Non-Executive Directors acknowledge in their letter of appointment that the nature of the role makes it impossible to be specific on maximum time commitment and that at certain times of increased activity, then preparation and attendance at meetings will increase. All Directors are expected to attend all Board meetings (either in person or by telephone), the AGM, one annual Board strategy meeting a year, committee meetings where appropriate, meetings with the Non-Executive Directors, meetings with shareholders, any meetings forming part of the Board evaluation process, and training meetings.

d. Board Meetings

The Board meets formally at least once a quarter, with additional meetings held as required to review the corporate and operational performance of the Group and address any other issues that need to be dealt with before the next scheduled meeting.

In order to save time and travel expenses as the Directors are based all over the world, most meetings are held by conference call. The Board met physically in Bosnia-Herzegovina once during the year, which gave them the opportunity to meet members of local management.

The agendas of the Board and its Committees ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year.

The Chairman is responsible, with the help of the Company Secretaries, for ensuring that the Directors receive Board briefing that is accurate, comprehensive and timely enough to allow them to make proper use of it in the fulfilment of their duties. The Company Secretaries assemble the Board and Committee papers and circulate them to the Directors well in advance of the relevant meeting. The Company Secretaries also take minutes of each meeting.

A summary of attendance at Board meetings in the year to 30 June 2020 is set out below (N/A in the case of meetings outside the term of a Director's appointment):

Director	12/8/19	12/9/19	1/10/19	4/11/19	14/11/19	6/12/19	3/1/20	13/3/20	16/4/20	28/4/20	10/5/20	11/6/20
P Bilbe	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
P Cronin	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
J Barnes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
S Bates	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
M Bosnjakovic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
S Karic	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
E de Mori	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
M Rawlinson	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
J Richards	N/A	N/A	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

e. Board Committees

The Board has delegated specific responsibilities to the Audit and Risk, Remuneration, and Nomination Committees, details of which are set out below. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. It is intended that these will be kept under continuous review to ensure they remain appropriate and reflect any changes in legislation, regulation or best practice.

Towards the end of the year the Board decided to establish an Environmental, Social and Governance ("ESG") Committee, which will comprise Sanela Karic (Chairman), Sandra Bates and Michael Rawlinson and will be holding its first meeting in the autumn following a programme of training provided by the Company's ESG consultants Critical Resource.

There is currently no internal audit function, given Adriatic's modest size, although the Audit Committee keeps this under annual review.

The Board considers that, at this stage in Adriatic's development, it is appropriate for the members of the Remuneration Committee to be also the members of the Nomination Committee, and for the meetings of the two bodies to be held together. However, the separate terms of reference of the two Committees will be respected. This decision will be kept under review by the Board.

f. Audit and Risk Committee

The Audit and Risk Committee's overall goal is to ensure that the Company adopts and follows a policy of proper and timely disclosure of material financial information and reviews all material matters affecting the risks and financial position of the Company. The Committee meets the Company's external auditor and its senior financial management to review the annual and interim Financial Statements of the Company, oversees the Company's accounting and financial reporting processes, the Company's internal accounting controls and the resolution of issues identified by the Company's auditors. It also advises the Board on the appointment of the Auditor, reviews its fees and discusses the nature, scope and results of the audit with the Auditor.

The Audit Committee was chaired during the year by Michael Rawlinson, who was succeeded as Chairman by Sandra Bates upon his appointment as Chairman of the Board on 3 August 2020 but remains a member of the Committee. The other members of the Committee were Eric de Mori (until his resignation in October 2019), Julian Barnes, and John Richards (until his resignation in July 2020). At the date of the Annual Report the composition of the Audit and Risk Committee was Sandra Bates (Chairman), Michael Rawlinson and Julian Barnes. In accordance with the Committee Charter, all of its members have been non-executive and a majority of them independent throughout the period.

The Committee has unrestricted access to the Group's Auditor. The CFO and other executives are invited to attend Committee meetings, as necessary. The Committee meets at least twice a year and met twice during the year.

The Audit Committee Report contains more detailed information on the Committee's deliberations during the year.

GOVERNANCE - CONTINUED

g. Remuneration & Nominations Committee

The Remuneration & Nominations Committee assumes general responsibility for assisting the Board in respect of remuneration policies for the Company and to review and recommend remuneration strategies for the Company and proposals relating to compensation for the Company's Directors and employees. The Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. It has the responsibility for, inter alia, administering share and cash incentive plans and programmes for Directors and other senior management for approving (or making recommendations to the Board on)) share and cash awards for Directors and other senior management.

The Remuneration & Nominations Committee is chaired by Peter Bilbe, and its other members during the year were Michael Rawlinson, Milos Bosnjakovic and Julian Barnes. At the date of the Annual Report the composition of the Remuneration and Nominations Committee was Peter Bilbe (Chairman), Sandra Bates and Julian Barnes.

The Committee normally meets at least once a year but did not meet formally during the year.

The Remuneration Report contains more detailed information on the Committee's role and the Directors' remuneration and fees.

h. Nomination Committee

The role of the Nomination Committee, which comprises three independent directors, is to assist the Board in monitoring and reviewing any matters of significance affecting the composition of the Board and the Executive Team.

The primary purpose of the Committee is to support and advise the Board in:

- maintaining a Board that has an appropriate mix of skills and experience to be an effective decision-making body; and
- ensuring that the Board is composed of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance.

The Committee normally meets at least once a year but did not meet during the year.

The Nomination Committee was combined with the Remuneration Committee with effect from 3 August 2020.

i. The Board as a whole

The skills and experience of the members of the Board are set out in their biographical details below. The experience and knowledge of each of the Directors enables them to challenge management and scrutinise performance in a constructive way. The Board believes it has achieved a good balance of experience in financial and operational matters. Board members have diverse national, cultural and career backgrounds, and gender diversity was increased by the appointment of Sandra Bates and Sanela Karic to the Board in November 2019 and August 2020 respectively.

The Board does not consider that any of the Directors is in danger of "over-boarding" by holding too many directorships at other listed companies to be able to devote sufficient time to Adriatic's business, and Directors are required to consult the Board before accepting any new appointment that might cause a conflict of interests or prevent them from discharging their responsibilities to Adriatic effectively.

New Directors receive a formal induction to the Company including a briefing discussion with existing Directors and a site visit to the project as soon as practicable. Directors are also provided with a memo on the continuing obligations of a company admitted to the London Stock Exchange (Standard Segment), a copy of the QCA Code and the ASX Governance, Principles and Recommendations Guide from the Company Secretaries. Directors also have full access to the Company's management and advisors.

j. List of Directors

Michael Rawlinson, Non-executive Director (Chairman since 3 August 2020)

Mr Rawlinson was the Global Co-Head of Mining and Metals at Barclays investment bank between 2013 and 2017 having joined from the boutique investment bank, Liberum Capital, a business he helped found in 2007. He is currently the Senior Independent Non-Executive Director at Hochschild Mining and Independent Non-Executive Director at Capital Drilling.

Peter Bilbe, Non-executive Director (Chairman until 3 August 2020)

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. He is currently Non-executive Chairman of IGO Limited, an ASX100 company, and is also a Non-executive Director of Horizon Minerals Limited, an emerging gold producer.

Paul Cronin, Chief Executive Officer and Managing Director

Mr Cronin is a co-founder and Director of Adriatic Metals and is Executive Director of ASX listed Black Dragon Gold Corp, Non-Executive Director of ASX listed Taruga Minerals and a Non-Executive of TSX listed Global Atomic Corporation. Mr Cronin has over 20 years of experience in corporate finance, investment banking, funds management, and commodity trading, with a strong European mining focus. Notwithstanding Mr Cronin's additional commitments, the Board is of the opinion that Mr Cronin is not "over-boarded" and is able to adequately perform his role with the Company.

Julian Barnes, Non-executive Director

Mr Barnes is a geologist with extensive experience in major exploration and development projects. Previously, he was Executive Vice President Dundee Precious Metals with a strong focus on Balkan mining & development.

Mr Barnes founded and led Resource Service Group for nearly two decades, which ultimately became RSG Global and has since been sold to Coffey Mining.

Sandra Bates, Non-executive Director (appointed 11 November 2019)

Ms Bates is a commercial and strategic international lawyer with over 20 years' experience advising management teams and boards of both listed and private companies in the UK and internationally.

Sanela Karic, Non-executive Director (appointed 3 August 2020)

Ms Karic, a Bosnian national, has over 15 years' experience as a lawyer and a career spanning corporate affairs, mergers & acquisitions and human resources. She is a graduate of the University of Sarajevo and is currently the Executive Director for Legal Affairs and Human Resources at the Prevent Group, Bosnia's largest diversified industrial corporation. She also holds the position of Chief Executive Officer at Sanitex, a subsidiary company of the Prevent Group, specialising in the manufacturing of medical and hygiene products for export across the European Union.

John Richards, Non-executive Director (appointed 11 November 2019, resigned 8 July 2020)

Mr Richards is an internationally experienced mining executive with an extensive track record in the initiation and execution of growth strategies and transactions. He currently serves a Non-Executive Director of ASX-listed Saracen Mineral Holdings Ltd and Sheffield Resources Ltd.

Milos Bosnjakovic, Non-executive Director (until 11 June 2020)

Mr Bosnjakovic was the co-founder of ASX-listed Balamara Resources Limited. He has significant experience in mineral projects in the Balkan region with extensive experience in the Former Yugoslav Republics, Australia and New Zealand.

Eric de Mori, Non-executive Director (resigned 8 October 2019)

Mr de Mori is experienced in ASX small capital investment and corporate finance, specializing in natural resources, biotechnology and technology. He has held several director and major shareholder positions with ASX listed technology and resource companies.

GOVERNANCE - CONTINUED

k. Board advice during the period

The board did not commission any advice from external consultants during the year. However, the Remuneration and Nominations Committee have since engaged h2glenfern to undertake a review of the Company's remuneration policies for implementation in the forthcoming year.

Critical Resource were also engaged after the year end to support the work of the recently formed ESG Committee.

l. Internal Advisory Roles

i) Company Secretary

The joint Company Secretaries during the year were Gabriel Chiappini (Australia), and Sean Duffy and subsequently Geoff Eyre (UK), both of whom combined the role with that of CFO. The Company Secretaries are responsible for advising the Board on the Company's legal and regulatory compliance, including (for the UK) the Market Abuse Regulation, and play a central role in ensuring good governance. They assist the Chairman in preparing for and running effective Board and shareholder meetings and act as the first point of contact for the NEDs on the workings of the Company, providing information and advice, and also general guidance on their duties as Directors. The Company Secretaries report directly to the Chairman on governance matters.

ii) Annual Board Appraisal

In accordance with current best practice and the Code, the Board will be undertaking an annual formal evaluation of its performance and effectiveness and that of each Director and the Committees. In line with the QCA Code Principles, the evaluation will be based on clear and relevant objectives, seeking continuous improvement. The first evaluation will be reported on in the 2021 Annual Report.

m. Ongoing Board Development

The Company Secretaries ensure that all Directors are kept informed of developments in relevant legislation, regulations and best practice, with the assistance of the Company's advisers where appropriate.

Non-Executive Directors are encouraged to raise any personal development or training needs with the Chairman or through the Board evaluation process.

i) Succession Planning

The Board does not have a formal emergency succession plan for the Senior Management team. However, succession planning is considered as part of the Remuneration and Nominations Committee's remit and Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current Board members.

Corporate Governance Code – QCA disclosure statement

The Board believes in the value of good corporate governance in improving performance and mitigating risk and acknowledges its duty to take account in its decision-making of all of the stakeholders in Adriatic, and not just the shareholders.

As a company with a standard listing on the London Stock Exchange, Adriatic is able to choose which governance code to follow. The Board has decided to apply the Quoted Company Alliance's (QCA) Corporate Governance Code (QCA Code) (revised in April 2018).

The Code is based on 10 principles and a set of supporting disclosures. It sets out what the QCA considers to be appropriate arrangements for growing companies and asks companies, by means of the prescribed disclosures, to explain how they are meeting those principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and in the QCA statement to be placed on our website we will provide an explanation of the approach taken in relation to each.

The Chairman has overall responsibility for implementing an appropriate corporate governance regime at the Company.

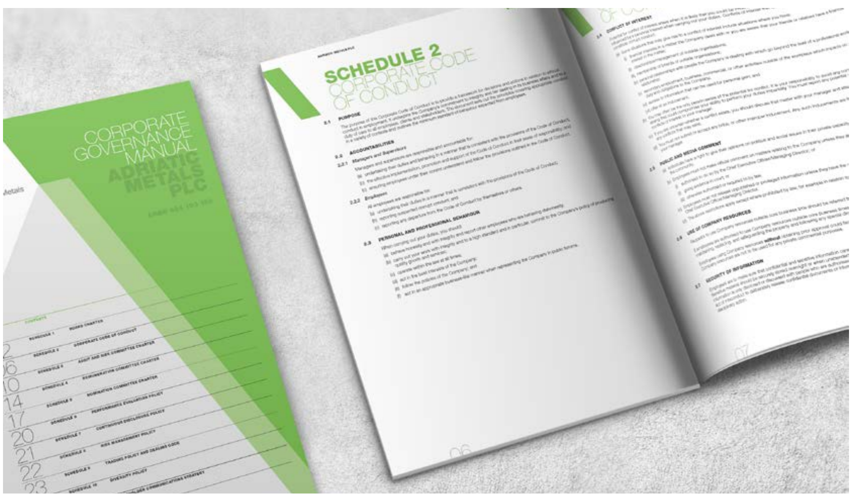
The Board is committed to ensuring the sustainability of its development strategy and to delivering on its commitments to shareholders, clients, employees, partners and other stakeholders with sustainability in mind.

We believe that transparency and fair dealing, particularly in relation to environmental and community issues, are essential to the Company's ultimate success. At all times Adriatic will aim to:

- Minimise its environmental impact,
- Meet legal and other requirements applicable to it,
- Foster positive relationships in the local community,
- Protect the health and wellbeing of employees and encourage positive relationships in the workplace, and
- Ensure the sustainability of the business for shareholders and other stakeholders.

The Board firmly believes that a corporate culture based on sustainability and ethical values and behaviour is in the best interests of the shareholders. The Company maintains a Code of Conduct which underpins its commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders. The document sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees.

The Code of Conduct is included in the Corporate Governance Manual on the Company's website.



AUDIT AND RISK COMMITTEE REPORT

Sandra Bates,
Chairman of the Audit and Risk Committee

I am pleased to present this report on the activities of the Audit and Risk Committee ("the Committee") for the year ended 30 June 2020.

This report is prepared in accordance with the Quoted Companies Alliance (QCA) corporate governance code for small and mid-sized quoted companies, revised in April 2018. A summary of the Committee's role and membership can be found in the Governance section of this Annual Report.

Committee meetings are held at least twice a year, and the CFO is invited to attend together with the external auditor. During the period, two meetings of the Committee were held, and the following significant issues were considered:

Significant issue	Summary of Significant Issue	Actions and Conclusion
Going Concern	Assessment of the Groups' ability to continue as a going concern as part of the preparation of the financial statements. This includes considering whether the Group has adequate resources to continue in operation for the foreseeable future from the date of anticipated signing of the financial statements. The assessment of going concern covers a period of at least 12 months from the date of signing the financial statements.	Although the Group raised A$25 million of gross equity proceeds in November 2019, the audit committee have considered a number of additional factors in respect of going concern including: • at present the Group is in exploration phase, and accordingly is not yet revenue generating, but has certain committed operating costs; • possible future commitments under agreements with Tethyan one that transaction has closed; and • The impact of COVID 19 on operations and access to future funding. Management prepared two going concern assessments. The first based on the forecast expenditure to complete the PFS activity within the next 12 months. The Second scenario was based on only including committed expenditure and eliminating all discretionary spend. Based on scenario 2, there is no material uncertainty pertaining to going concern as managing the cash flows is within management's control. The Directors therefore considered the going concern assessment to be appropriate.
Exploration and evaluation assets carrying value	The Group's total exploration and evaluation assets of £9,045,169 (30 June 2019: £3,971,210) are material to the Group's balance sheet. Management are required to assess whether there are any indicators that an asset may be impaired in accordance with IFRS 6 at the end of each reporting period. If any such indicators are identified a full impairment test in line with the requirements of IAS 36 is necessary.	Management prepared an assessment of impairment indicators and considered whether there are any of the indicators of impairment in line with criteria set out under IFRS 6. The impairment assessment did not highlight any impairment indicators and as such an IAS 36 impairment assessment was not required.
Tethyan Convertible loan	The accounting and disclosure of the convertible loan note receivable of £1,241,514 (30 June 2019: £nil) is a complex area because the loan should be accounted for at fair value per IFRS 9.	Management engaged the services of independent valuation experts to assist in determining the appropriate fair value of the loan to Tethyan.
Audit tender	Review of proposals	Committee action: recommended appointment of BDO LLP as being the best placed to audit all the companies in, and potentially joining, the Adriatic group.

AUDIT AND RISK COMMITTEE REPORT - CONTINUED

A report on each Committee meeting is given at the next Board meeting.

External auditor

In June 2020, following the conclusion of a formal tender process, the Committee recommended that BDO LLP (BDO) should be appointed as auditor for the financial year ending 30 June 2020, in succession to Lubbock Fine. The Board announced this decision on 15 June 2020.

Fees

There was no significant non-audit work carried out by BDO subsequent to their appointment. Full details of fees paid during the period may be found in note 15 to the Consolidated Financial Statements.

Objectivity and Independence

The Committee continues to monitor the auditor's objectivity and independence and is satisfied that BDO and the Company have appropriate policies and procedures in place to ensure that these requirements are not compromised.

Re-appointment of External Auditor

The Committee recommends to the Board the re-appointment of BDO as auditor at the forthcoming annual general meeting (AGM), and BDO has expressed its willingness to continue in office.

Internal Auditor

The requirement for the appointment of an internal auditor is continually assessed by the Committee; the level of spending and complexity of the operations being taken into account when considering this decision. To date, the Committee has decided that an internal audit function is not required but will continue to assess the situation on a regular basis.

Going Concern

The Directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. The going concern statement is detailed in full in note 2c of the Consolidated Financial Statements.

Conclusion

The Committee is satisfied with the quality, independence and objectivity of the external audit and believes that on the basis of the audit it can make a proper assessment of the quality of financial and other systems of reporting and control within the Company.

In respect of its own performance, the Committee considers that it has given appropriate challenge and direction to the finance department, concentrating on the areas that are relevant to the risks facing the Company.

Sandra Bates
Chairman of the Audit and Risk Committee

28 September 2020

REMUNERATION COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2020

PART 1 – SUMMARY STATEMENT FROM THE CHAIRMAN

Peter Bilbe,
Chairman of the Nominations and Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee Report, which sets out the remuneration policy and the directors' remuneration for the year. It has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2013 (the Regulations).

Prior to December 2019, Adriatic Metals was listed on the Australian Securities Exchange (ASX) only. The Regulations apply to the Company because it is a UK incorporated company and was admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's Main Market (Standard Segment) on 12 December 2019. The Company has resolved to comply with the provisions of the Quoted Companies Alliance Corporate Governance Code (QCA Code) so far as is practicable given the Company's size, nature and stage of development and has prepared this report with regard to the QCA Remuneration Committee Guide for small and mid-sized quoted companies, revised in 2018. A summary of the Remuneration Committee's role and membership can be found in the Governance section of this Annual Report.

After this introductory letter, this report is split into two parts: (1) our Remuneration Policy to be effective, subject to shareholder approval, for three years commencing on the date of the AGM and (2) the Annual Statement on Remuneration covering the period ending 30 June 2020, reflecting the arrangements in place over that period. Our Remuneration Policy will be subject to a binding shareholder resolution at the AGM. The Remuneration Committee Report will be put to an advisory resolution.

An important point to note is that as required under the rules of the ASX, all share incentive awards to Directors during the year were approved by shareholders at general meeting. Share awards are a key part of Adriatic's director remuneration policy and the central element of director incentivisation.

Remuneration policy

The Remuneration Policy is intended to fit the current size and profile of the Group, to support the achievement of the Group's operational, business, financial and strategic objectives and align the interests of the directors with shareholders over the short and longer term. To achieve our goals, the Group seeks to provide competitive overall pay, split between fixed and performance-related elements.

To date and at present, the approach to executive remuneration is to limit the cash cost through with modest salaries (or consulting fees), no pension or benefit arrangements, limited and focussed key performance indicator (KPI) bonuses and to make significant share incentive awards either as options or performance rights, normally with operational or share price performance targets to be met by specified dates which do not correspond to specific one or three year financial periods.

The key elements of executive remuneration are explained below. At present, there is only one executive Director, Paul Cronin, our Managing Director and Chief Executive Officer (CEO).

- Base remuneration intended to reflect the market value of the role and the individual's performance and contribution to the Group. For Paul Cronin, this is split between a Director's fees and consultancy fees paid to a service company controlled by Paul Cronin
- No pension or benefits arrangements in order to limit cash costs
- A KPI bonus under which our CEO can earn modest cash bonus amounts for achieving specific operational targets
- Long term incentives in the form of irregular awards of performance rights with a nominal exercise price which vest subject to the Company meeting operational and or share price targets prior to specified dates.
- The Company may also make awards of options with an exercise price at, around or above the prevailing market price with performance targets and a vesting schedule as specified by the Company at the point of award. The Company has no plans to grant further options awards to Paul Cronin in the coming year. Paul Cronin received an award of 5.0m options in April 2018 to compensate him for establishing the Company and running its successful IPO on the ASX when his cash compensation was substantially below commercial levels and these options remain outstanding.

The key elements of Chairman and Non-executive Director remuneration as it has operated to date have included the following.

- Chairman and Non-Executive Director fees set at modest levels
- One-off awards of options with exercise prices approximately 20% above the prevailing share price at the time of the proposed award was agreed with the individual. However, the Company's share price subsequently increased above the agreed exercise price at the time shareholder approval of the grant had been obtained. These awards do not have performance conditions attached and vest immediately on grant and lapse 3 years from the date of award.

With the exception of the proposed grant of 1.0m options to Sanela Karic at an exercise price of A$2.00, to be put to a shareholder vote at the forthcoming AGM, the Company intends to change its approach to Chairman and Non-Executive Director remuneration to pay cash fees at competitive levels during 2020/21 reflecting the size and profile of the Company and to make no further share awards to NEDs.

The Remuneration and Nominations Committee is abreast of developments in corporate governance and good practice. The Company has resolved to comply with the QCA Code so far is as is practicable given the Company's size, nature and stage of development and the remuneration arrangements in the future are intended to comply with good practice reflecting the company's size and profile, and with the QCA Code, not the UK Corporate Governance Code (published by the FRC) which Premium List companies are required to comply with.

Share award plan

Details of the Company's share option plans in place, the two most recent of which were adopted on 8 November 2019 following approval by shareholders at the Company's 2019 Annual General Meeting, are set out in the policy section below. No further approvals are required under UK law in relation to the operation of the existing or future share options plans. However, shareholder approvals may be required in future under applicable ASX rules.

Annual statement

The following section, the Annual Statement on Remuneration covering the period ending 30 June 2020, reflects the arrangements in place over that period. Given that the Company was admitted to the ASX in April 2018 and to the Standard Segment of the London Stock Exchange in December 2019, some of the disclosures required by the Regulations have limited applicability and where this is the case, we have stated this in the relevant sections of this report.

At the end of this section, we set out details of how we intend to operate Executive Remuneration during 2020/21 subject to approval of the policy.

Remuneration Committee

Remuneration Committee meetings are normally held at least once a year. During the year ended 30 June 2020, however, the Remuneration Committee did not meet formally as such: instead, matters for its consideration were discussed at Board meetings on three occasions. On each occasion, no Director was present while matters concerning him or her were discussed, and all decisions were taken by Non-executive Directors, in accordance with the Remuneration Committee's Charter.

No external remuneration consultants were appointed in the year under review. Following the year end, the Company appointed h2glenfern Remuneration Advisory to provide advice and assistance on executive and Non-executive Director remuneration and the presentation of information in this report.

Context within which Remuneration managed

As detailed earlier in this annual report, during the year the company achieved considerable progress towards our main objective of exploring mineral resource opportunities that have the potential to deliver growth for the benefit of Adriatic's shareholders. The company made progress at the key Vares Project in what have been very testing circumstances under COVID-19 and announced the acquisition of Tethyan Resource Corp with a view to becoming a multi-mine producer.

REMUNERATION COMMITTEE REPORT- CONTINUED

Principal actions and decisions during the year and after the year end

As reflected earlier in this annual report, the Board was pleased with progress achieved during the year. The principal decisions in respect of remuneration taken during the year were:

- Grant of Performance Rights to CEO in November 2019
- Grant of Performance Rights to other employees in November 2019
- Resolving that a tranche of 750,000 Performance Rights held by the CEO, being half of those granted to the CEO upon shareholder approval at the AGM on 8 November 2019, had vested in January 2020. The remaining half have not yet vested as the performance conditions have not yet been met.
- Resolving that the CEO's performance KPI of achieving the London Listing had been achieved and authorising payment of a £30,000 bonus.
- Considering board salaries and fees and resolving to leave them unchanged
- Approving the employment terms of our new CFO who is not on the plc board

Following the year end, the principal decisions taken have been:

- Approving the employment terms of our new Head of Corporate Affairs who is not a director
- Awards of performance rights to the CFO, Head of Corporate Affairs and Head of Exploration, none of whom are directors, in June 2020 and August 2020
- Increasing the fee of our new Chairman, Michael Rawlinson to £50,000 per annum and reducing the fee of Peter Bilbe to £30,000 following his move from Chairman to Non-executive Director

AGM

At our AGM on 8 November 2019, a resolution to approve the Directors' Remuneration Report contained in our 2019 Annual Report was put to shareholders and passed with the support of 95.4 per cent of votes cast. The Directors are not aware of the reason for the modest vote against. As required under the rules of the ASX, all share incentive awards granted to Directors during the year, a key element of Adriatic's Director remuneration, were approved by shareholders at general meeting.

At the Company's 2020 Annual General Meeting the Remuneration Policy (Part 2 of this report) will be put to a binding vote (as is the requirement every three years) and the Remuneration Report (Part 3) will be put to an advisory vote. Resolutions will also be put to the meeting to approve the share option award to our new non-executive Director Sanela Karic and to amend the Articles to increase the cap on Non-executive Director fees.

I hope that you find this report helpful and informative and I look forward to receiving further feedback from our investors on the information presented. On behalf of the Remuneration Committee, I look forward to receiving your support at the AGM.

Peter Bilbe
Chairman of the Nominations and Remuneration Committee

28 September 2020

PART 2 – REMUNERATION POLICY

The Board is responsible for determining and reviewing compensation arrangements for the Directors and senior executives reporting to the Chief Executive Officer. 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.

To date and at present, the approach to remuneration is to limit the cash cost through modest salaries and fees, no pension or benefit arrangements, limited and focussed key performance indicator bonuses and to make significant share incentive awards either as options or performance rights, typically with operational or share price performance targets to be met by specified dates which do not correspond to specific one or three year financial periods.

As part of its suite of corporate governance policies and procedures, the Board has adopted formal Remuneration and Nomination Committee Charters and this Remuneration Policy, which is now subject to shareholder approval for the first time under English company law.

The table below summarises the main elements of the remuneration package for Directors

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to fulfil the role without paying more than necessary. Reflects skills, experience, role.	Base salaries are set by the Remuneration Committee (Remcom) and reviewed annually, and increases are effective from 1 January, although increases may be awarded at other times if the Remcom considers it appropriate. In determining base salaries, the Remcom considers: pay levels at companies of a similar size and complexity, external market conditions; pay and conditions elsewhere in the Group; role of individual and personal performance. Directors may be paid consultancy fees through service companies.	There is no maximum value	None
Benefits	To help recruit, retain and motivate high performing Executives.	None are provided or anticipated at present.	No maximum value. The Group may provide additional market-competitive benefits such as private healthcare and car allowance.	None.
Pension	To help recruit, retain and motivate high performing Executives.	None are provided or anticipated at present	If introduced, the maximum amount would be 10% of base salary plus consultancy fees..	None
Bonus	Rewards and incentivises the achievement of annual objectives which are aligned with key strategic goals and supports the enhancement of shareholder value.	Operational, financial and/or other targets are set to be achieved by specified dates triggering the payment of specified amounts. Awards subject to targets may be set at any time and are not set on an annual basis. Paid in cash following meeting of target. Bonuses are non-pensionable. May be paid in shares at the Committee's discretion.	Maximum potential values will not exceed 100% of base salary and consultancy fees in any year. The Company does not anticipate putting further bonus arrangements in place for the Executive Director during 2020/21. Existing arrangements are set out in the annual report section below.	Specific targets and weightings may vary according to strategic priorities and may include: financial performance, operational performance, attainment of personal and strategic objectives Weighting will focus on operational targets.

REMUNERATION COMMITTEE REPORT - CONTINUED

Executives and management - Continued

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Long term incentive plan	Incentivises executives to achieve the Company's long term strategy and create sustainable shareholder value. Aligns with shareholder interests through the potential delivery of shares.	Awards of performance rights or options under either of 2019 share award plans which vest subject to operational, financial and/ or share price targets to be achieved by specified dates triggering the payment of specified amounts. Awards subject to targets may be set at any time and are not set on an annual basis. Vesting schedule is at the Committee's Discretion and may be different for each award. A summary of the key terms of the plans is set out later in this policy section.	Market value of award will not normally exceed 100% of the individual's salary and consultancy fees. In exceptional circumstances, such as initial awards, awards to facilitate hiring, new strategic periods, market value at award may be up to 300% of salary. The Company does not anticipate making further long term incentive awards to the Executive Director during 2020/21. Existing arrangements are set out in the annual report section below.	Specific targets and weightings may vary according to strategic priorities and may include operational, share price or financial performance, attainment of personal and strategic objectives Weighting is likely to focus on operational and share price targets.
Non-executive fees	Fees for Non-executive Directors are set at an appropriate level to recruit and retain directors of a sufficient calibre without paying more than is necessary to do so. Fees are set taking into account the following factors: the time commitment required to fulfil the role, typical practice at other companies of a similar size, and salary levels of employees throughout the Group.	Fees are reviewed at appropriate levels at appropriate intervals (normally once every year) by the Board with reference to individual experience, the external market and the expected time commitment required of the director.	There is no maximum value	
Non-Executive share awards	To help recruit, retain and motivate appropriately skilled non-executive directors and align them with shareholders.	In the past the Company has made one-off awards of options with exercise prices above the prevailing share price at the time of the award. No performance conditions are attached and the options vest immediately and lapse three years after grant.	Awards have been made before the date of this annual report and one further award will be made to a non-executive director, Sanela Karic, as detailed in the letter above subject to the approval of a specific shareholder resolution at the AGM. Beyond this, only modest awards, with a market value up to £50,000 may be made to the Chairman or non-executive directors.	

Shareholder approval

This Policy will be subject to shareholder approval at the 2020 AGM and, subject to that approval, will become effective from that date. Components of Executive Director remuneration are described below in more detail:

Equity incentive schemes

ESOP 2019 and Option Plan 2019

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

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

a) Eligibility: ESOP - directors and employees of any member of the Adriatic group. Option Plan 2019 - directors, employees, other consultants or contractors of any member of the Group.

b) Performance conditions: Performance Rights (awarded to executives) have a nominal exercise price but are subject to individual performance conditions (see above in relation to Mr Cronin). Options (awarded to non-executives) have a higher exercise price but no performance condition.

c) Limits: aggregated options or Performance Rights over a three-year period must not exceed 10 per cent of the total number of Ordinary Shares in issue at the time of the proposed grant.

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

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

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

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

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

REMUNERATION COMMITTEE REPORT - CONTINUED

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

j) If the Board has procured an offer for all holders of options / performance rights on like terms (having regard to the nature and value of the options) to the terms proposed under the change in control event and the Board has specified (in its absolute discretion) a period during which the holders of options may elect to accept the offer and, if the holder has not so elected at the end of that offer period, the options, if not exercised within 10 days of the end of that offer period, shall expire.

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

l) Discretion of Board: The Board may decide to allow a participant to: (i) retain and exercise any or all of their options, whether or not the vesting conditions or performance criteria (as applicable) have been satisfied, and whether or not the incentives would otherwise have lapsed, provided that no incentives will be capable of exercise later than the relevant expiry date for those Options; and (ii) retain any performance regardless of the expiry of the performance period to which those Performance Rights relate or failure to satisfy in part or in full the performance criteria or vesting conditions (as applicable) in respect of those Performance Rights, in which case, the Board may: (x) determine that any or all of those retained Performance Rights shall vest and the corresponding Ordinary Shares shall be provided to the participant; or (y) determine a new performance period or vesting conditions (as applicable) shall apply to those Performance Rights.

m) Determination Whether to Exercise Discretion: The Board may have regard to whatever matters it thinks reasonable when making such a decision, including any of the following factors: (i) the reason for the cessation of employment/ engagement with the Group; (ii) the length of time between the date of cessation and the expiry date; (iii) the participant's reasons for any failure to satisfy any performance criteria; (iv) the total length of service of the person with the Group; (v) if the cessation of employment/ service is related to the person's performance, then the extent to which the person has been given warning of their performance inadequacies; (vi) information provided by the person to the Board to support any claim to exercise the discretion in the person's favour; or (viii) applicable law.

Option Plan 2018

The Company adopted the Option Plan 2018 on 12 February 2018. No new options shall be granted under this plan.

a) Eligibility: Employees, directors or consultants of any member of the Group.

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

c) Performance conditions: Performance conditions may, at the discretion of the Board, be specified to apply to all or part of an option and shall be an objective measure of the performance of (i) the Company; (ii) the option holder; or (iii) a business unit of which the option holder is a part.

d) Lapse of options: Options granted

under the Option Plan 2018 shall lapse on the earliest to occur of: (i) any attempt by the optionholder to transfer or encumber his / her options; (ii) the date when any performance condition becomes incapable of being met or is not met within a specified time period; (iii) the lapse date stated in the option certificate; (iv) 90 days following the optionholder ceasing to be an employee of the Group; (v) the optionholder becoming bankrupt or subject to voluntary arrangements with its creditors; (vi) the first anniversary of the optionholder's death; or (vii) six months from the date of a relevant corporate event ("Corporate Event") being a change of control resulting from a takeover offer, or a court sanctioned scheme of arrangement, or shareholders becoming bound by a non-UK reorganization that affects the Ordinary Shares, or any person becoming bound or entitled to acquire the Ordinary Shares under sections 979 to 985 of the Companies Act 2006.

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

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

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

h) Cashless exercise: The Option Plan 2018 does not provide for the cashless exercise of options.

i) Variation of/ Board discretion relating to performance conditions: the Board may vary or waive any Performance Condition if events occur that cause: (i) an option to become exercisable before the end of the period over which the original performance condition was to be assessed, if the original performance condition cannot reasonably be applied to the shortened time period; (ii) the Board decides that the performance condition is no longer an appropriate measure of performance; (iii) the Board decide that the performance condition is no longer required. The Board shall determine whether, and to what extent, performance conditions have been satisfied. In making any decision or determination, or exercising any discretion under the rules, the Board shall act fairly and reasonably and in good faith.

The Company has adopted company share option plans (the Plans). The Plans form what the Board considers to be an important element of the Company's total remuneration strategy for its officers and staff.

Malus and Clawback

Neither the bonus nor the long term incentive plans contain malus or clawback provisions, reflecting the size and profile of the Company when these plans were approved by the Board. Future bonus and long term incentive awards will have malus and clawback provisions attached in line with UK governance best practice.

POLICY PROVISIONS RELATING TO EXECUTIVE DIRECTOR'S REMUNERATION

Illustration of application of remuneration policy

The Company's remuneration policy is differentiated from how UK-listed companies normally operate remuneration. Whilst a significant proportion of the potential remuneration of the Executive Director is variable and is therefore performance related, performance related pay is not awarded or operated according to a fixed annual or longer period. The Company does not apply fixed parameters for the maximum or normal bonus or long term incentives awards in a year. In addition, and as stated in the table above, the Company does not intend to make further bonus or long term incentive awards subject to performance targets during 2020/21, the first year of the policy. As such, the Company sees that including this within a performance related pay chart is not applicable and would potentially be misleading.

The amount of fixed pay the Chief Executive Officer will receive under the policy is £209,500. There are no annual cash bonus or LTIP arrangements. As such, preparing a chart illustrating the policy does not assist in presenting the situation more clearly and a chart is not included. Details of the existing KPI bonus and share incentive awards, which do not operate on an annual basis, are set out in the annual report section below.

There are presently no other executive directors.

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How employee pay is taken into consideration

When determining remuneration policy and arrangements for Executive Directors, the Remuneration Committee considers the wider pay and employment conditions elsewhere in the Group to ensure pay structures from Executive Director to senior executives are aligned and appropriate. The Remuneration Committee did not consult with its employees in formulating this policy.

Shareholder views on remuneration

The Chair of the Remuneration Committee will be available to contact shareholders concerning the Company's approach to remuneration. The Company welcomes a dialogue with its shareholders and will seek the views of its major shareholders if and when any major changes are being proposed to the policy.

REMUNERATION COMMITTEE REPORT - CONTINUED

Alignment of executive remuneration and the market

The Remuneration Committee sets Director remuneration policy in the light of its knowledge of remuneration at comparable companies and will undertake benchmarking exercises periodically so that it can do this. This is done to ensure Executive Director remuneration is appropriate, competitive and not excessive.

Approach to remuneration on recruitment

In the event that the Company recruits a new Executive Director (either from within the organisation or externally) when determining appropriate remuneration arrangements, the Remuneration Committee will take into consideration all relevant factors (including but not limited to quantum, the type of remuneration being offered and the jurisdiction the candidate was recruited from and in which he/she will primarily be located) to ensure that arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an Executive Director of the required calibre.

The Remuneration Committee would generally seek to align the remuneration package offered with the Company's remuneration policy outlined in the table above. However, the Remuneration Committee retains the discretion to make proposals on hiring a new Executive Director which are outside the standard policy:

- In the first year of appointment, the Committee may offer additional remuneration arrangements that it considers appropriate and necessary to recruit and retain the individual which shall not be offered in successive years; and
- It may also offer awards on appointing an Executive Director to "buy-out" remuneration arrangements forfeited on leaving a previous employer.

Executive Director Service contracts

The services of the CEO and Managing Director are provided under a service contract with Swellcap Limited with commencement date 1 July 2019. These are not of a fixed duration and are terminable by either party giving six months' written notice. Contracts entered into with Executive Directors will have a notice period not exceeding 12 months.

Policy for payments for loss of office

Notice periods set in the Executive Directors' service contracts are driven by the need to protect shareholder value and interests. As noted above, the service contract of the Executive Director has a notice period of six months. A bonus is not usually paid to a "good leaver" or any leaver should they leave before the payment date of said bonus.

The principles governing determination of payments for loss of office are:

- service contracts legally oblige the Company either to continue to pay salary and pension allowances and other contractual benefits for any unworked notice period or, at the option of the Company, to make payment in lieu of notice unless where an Executive Director's employment is summarily terminated. The Remuneration Committee reserves the right to make discretionary payments in lieu of notice which may be paid in a lump sum, quarterly or monthly;
- the payment of a performance bonus and/or other short term incentives may be offered to the departing Executive Director during his/her notice period, based on an assessment of personal and corporate performance up to the date of departure. Bonuses will not be paid for any unworked period of notice;
- where a role fulfilled by an Executive Director is declared redundant then the individual may have the legal right to either statutory redundancy pay or to a payment under the Group's normal severance arrangements applicable to employees generally; and
- in case of poor performance, contractual termination payments may generate undue and potentially excessive reward; in such circumstances, the Remuneration Committee will consider terminating a service contract on a fair basis, whilst protecting the rights of the Company.

The Company's various incentive schemes are governed by formal rules, approved by shareholders. Executive Directors have no contractual rights to the value inherent in any awards held under these plans and these plans provide for vesting in different leaver scenarios. Unless otherwise agreed by the Board, unvested awards will lapse when an Executive Director ceases to be employed by the Company. However, in cases of death, ill-health, injury, redundancy, retirement or the transfer of employment from one company to another company in the Group, awards will lapse unless the Board, in its absolute discretion, determines otherwise.

If employment or service is terminated by the Company, the departing Executive Director or senior executive may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. The Remuneration Committee retains discretion to settle any other amounts reasonably due to the Executive Director or senior executive where the Company wishes to enter into a settlement agreement. In certain circumstances, the Remuneration Committee may approve new contractual arrangements with the departing Executive Director or senior executive, potentially including settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will only be used where the Remuneration Committee believes it is in the best interests of the Company.

The Remuneration Committee generally seeks to apply practical mitigation in respect of termination payments where appropriate. Any ex-gratia payments made at the discretion of the Remuneration Committee in excess of statutory or contractual obligations will be limited to an amount not exceeding one year's bonus plus legal fees, so long as such fees do not exceed £10,000.

Flexibility, discretion and judgement

Attempt has been made to ensure that the majority of situations and scenarios that may arise in relation to Executive Directors' remuneration have been covered in this policy. There may be times when the Remuneration Committee may need to exercise appropriate discretion, judgement or flexibility to achieve a fair result; as no remuneration policy, however comprehensive and carefully designed and implemented can pre-empt every possible scenario. Discretion must be available to the Remuneration Committee at times where changes to business requirements demand it has the ability to assess and amend pay and short term or other incentives as appropriate in order to motivate, drive appropriate behaviours and incentivise performance to promote the long term success of the Company. Judgement and flexibility may also be needed in downgrading, as well as upgrading certain remuneration elements, or in determining a suitable balance between fixed and performance-related, immediate and deferred remuneration, thereby permitting the Remuneration Committee to adapt to changing or challenging situations in the overall business environment for the benefit of the Company, including considerations of political and social pressures to which the Company may be subject. Although the Remuneration Committee will seek to maintain a strict adherence to the three year policy whenever possible, the requirement to engage with shareholders each and every time a measure is identified as being required can be onerous in time and expense. The Remuneration Committee remains wholly committed to maintaining engagement with shareholders throughout the three year life of the policy and, where appropriate, shall formally engage them in placing a revised policy to a General Meeting for approval before the three year period expires. The Remuneration Committee however requests the ability (and flexibility) to exercise their discretion and judgement to ensure that the determination and implementation of this policy is fair to both the Executive Directors and the shareholders, whilst taking into account the overall performance of the Company and any relevant internal and external factors.

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Company upon appointment for the provision of Non-Executive Directors' services, terminable by three months' written notice given by either party.

Non-executive Director	Appointment date
Michael Rawlinson	4 March 2019
Peter Bilbe	16 February 2018
Julian Barnes	16 February 2018
Sandra Bates	11 November 2019
Sanela Karic	3 August 2020

The Non-executive Directors' remuneration (including that of the Chair) reflects the anticipated time commitment to fulfil their duties. Non-executive Directors do not receive benefits, a pension or compensation on termination of their appointments or bonus. In the future, they will not receive further major long term incentive awards (see policy table for details). When recruiting a new Non-executive Director, the Remuneration Committee will follow the policy set out in the table above. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and notice may be served by either party. All appointments are subject to the Company's Articles of Association (Articles) and re-election by shareholders in accordance with the provisions contained in the Articles.

If the Board is contemplating a transaction that requires more work than would normally be expected of Non-executive Directors, their fees may be increased by up to 100%, to a level to be determined by the Board at that time.

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 Articles provide that each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount of fees provided to all non-executive directors must not currently exceed A$400,000 per annum (£223,305). This limit may be increased by ordinary 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. A resolution will be proposed at the 2020 AGM to increase this limit to £400,000 (A$725,000).

The service agreements and letters of appointment are held at the registered office and are available for shareholders to view on request from the Company Secretaries.

REMUNERATION COMMITTEE REPORT - CONTINUED

PART 3 – REMUNERATION REPORT FOR THE YEAR ENDED 30 JUNE 2020 (AUDITED)

The Group paid the following remuneration to each Director:

(In GBP)	Year ended 30 June 2020					
	Total Salaries and fees [A]	Cash bonus [C]	Share awards vesting in year [C]	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin	208,158	30,000	620,731	**858,889**	208,158	650,731
Milos Bosnjakovic[1]	238,897	-	-	**238,897**	238,897	-
Non-executive Directors						
Michael Rawlinson[5]	195,107			**195,107**	195,107	-
Peter Bilbe	47,642	-		**47,642**	47,642	-
Julian Barnes	30,000	-		**30,000**	30,000	-
Sandra Bates[2]	53,356			**53,356**	53,356	-
Eric de Mori[3]	7,480	-		**7,480**	7,480	-
John Richards[4]	52,282			**52,282**	52,282	-
Total Directors' Remuneration	**832,922**	**30,000**	**620,731**	**1,483,653**	**832,922**	**650,731**

(In GBP)	Year ended 30 June 2019				
	Salaries and fees [A]	Share awards vesting in year [C]	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors					
Paul Cronin	39,193	-	**39,193**	39,193	-
Milos Bosnjakovic[1]	80,807	254,015	**334,822**	80,807	254,015
Non-executive Directors					
Michael Rawlinson[5]	9,762	-	**9,762**	9,762	-
Peter Bilbe	512,813	-	**512,813**	512,813	-
Julian Barnes	338,867	-	**338,867**	338,867	-
Sandra Bates[2]	-	-	**-**	-	-
Eric de Mori[3]	29,854	-	**29,854**	29,854	-
John Richards[4]	-	-	**-**	-	-
Total Directors' Remuneration	**239,691**	**254,015**	**1,265,311**	**1,011,296**	**254,015**

A) Total amount of salaries and fees includes money or other assets received or receivable for the relevant financial year, including share awards without performance measures or targets vested in the relevant year. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable.

B) There were no taxable benefits in either the current or prior year

C) Money or other assets received or receivable for the relevant financial year as a result of the achievement of performance measures and targets relating to a period ending in that financial year. The monetary value of share awards is calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable.

D) There were no pension related benefits in either the current or prior year

1: Until 11 June 2020 2: Appointed 11 November 2019 3: Resigned 8 October 2019 4: Appointed 11 November 2019, resigned 8 July 2020
5: Appointed 4 March 2019

The monetary value of vested share awards granted to each non-executive director without performance measures or targets included in total salaries and fees was as follows:

	Year ended 30 June 2020	Year ended 30 June 2019
Michael Rawlinson	165,107	-
Peter Bilbe	-	462,963
Julian Barnes	-	308,642
Sandra Bates	34,070	-
Eric de Mori	-	-
John Richards	34,070	-
	233,247	**771,605**

Paul Cronin was appointed CEO and Managing Director on 18 September 2019. His total remuneration during the year ended 30 June 2020 was £858,889 (30 June 2019: £39,193). Geraint Harris, the previous CEO resigned on 15 June 2019 and received no remuneration during the year ended 30 June 2020. In the preceding year Mr Harris's total remuneration was £544,721 of which £172,917 was fixed and £371,804 was variable in the form of performance based share awards vested in the year. Mr Harris was not a director of the Company and has therefore been excluded from the remuneration paid to directors table.

No payments for loss of office were made in the current or prior year.

Directors' fees are paid monthly in arrears.

Gains on the exercise of performance rights by Directors during the year were as follows:

	Date of exercise	Nominal consideration payable on exercise of each performance right	Number of performance rights exercised	Share price on date of exercise	Gain on exercise
Paul Cronin	8 January 2020	£0.013355	750,000	A$1.675	£647,187

The 750,000 Performance Rights exercised by Mr Cronin during the year were granted on 29 November 2020 following shareholder approval and vested on the test date of 31 December 2019 because the performance criteria of (a) completing the scoping study for the Vares Silver project; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeded A$1.25 for the 5 consecutive trading days immediately prior to 31 December 2019 had been met.

No performance rights were exercised in the prior year and no options were exercised in either the current or prior year by Directors whilst in office.

KPI bonus

In the year ended 30 June 2020 the Board set KPIs (and accompanying bonus amounts) for Mr Cronin as follows:

a) Admission of the Company to the London Stock Exchange (bonus amount £30,000)

b) the issue of an exploitation permit for Veovaca (bonus amount £35,000)

c) the issue of an exploitation permit for Rupice (£35,000).

Mr Cronin achieved and was paid for KPI (a) during the year. This payment is reflected in the table above.

Equity incentives

The following options were granted to Directors of the Company during the year. The options granted to Non-executive Directors do not have performance conditions, vest immediately on the date of grant and lapse three years from the date of grant:

	Date of grant	Exercise price (A$)	Number of options
Michael Rawlinson	29 November 2019	1.00	1,000,000
Sandra Bates	29 November 2019	1.25	1,000,000
John Richards	29 November 2019	1.25	1,000,000
			3,000,000

The exercise prices of these options were agreed at the time the awards were proposed to the individual. Each options award was subsequently approved and ratified by shareholders at a General Meeting of the Company on 30 January 2020.

REMUNERATION COMMITTEE REPORT - CONTINUED

The following performance rights were granted to Directors of the Company during the year:

	Date of grant	Nominal consideration payable on exercise	Number of performance rights
Paul Cronin	29 November 2019	£0.013355	1,500,000
Milos Bosnjakovic	28 February 2020	£0.013355	4,000,000
			5,500,000

The grant to Mr Cronin was approved by shareholders at the Annual General Meeting on 8 November 2019. The grant to Mr Bosnjakovic was subsequently approved and ratified by shareholders at a General Meeting of the Company on 30 January 2020.

750,000 Performance Rights issued to Mr Cronin vested on 31 December 2019 having met the performance criteria of (a) completing the scoping study for the Vares project; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeded A$1.25 for the 5 consecutive trading days immediately prior to 31 December 2019.

The remaining 750,000 Performance Rights will vest on 31 December 2021 if: (a) there has been completion of a JORC compliant definitive feasibility study; and (b) the Volume Weighted Average Market Price per CDI (as quoted on ASX) exceeds A$1.50 for the 5 consecutive trading days immediately prior to 31 December 2021.

2,000,000 of the Performance Rights issued to Mr Bosnjakovic were to vest on 1 May 2020 provided that by 30 April 2020 both (a) Eastern Mining d.o.o. had entered into a Concession Annexure pursuant to which the existing Concession Agreement in respect of the Veovaca and Rupice deposits was extended to include the exploitation of Gold, Silver and Copper; and (b) Eastern Mining d.o.o. had been granted the Veovaca Exploitation Permit. Both the performance conditions were not met and the 2,000,000 Performance Rights lapsed on 1 May 2020.

1,000,000 of the Performance Rights issued to Mr Bosnjakovic were to vest on 1 August 2020 provided that by 30 July 2020 Eastern Mining d.o.o. had been granted the Rupice Exploitation Permit. The performance condition was not met and the 1,000,000 Performance Rights lapsed on 1 August 2020.

1,000,000 of the Performance Rights issued to Mr Bosnjakovic were to vest on 1 August 2020 provided that by 30 July 2020 Eastern Mining d.o.o. had entered into a new Concession Agreement. The performance condition was not met and the 1,000,000 Performance Rights lapsed on 1 August 2020.

The interests in the Company's shares and other securities held by Directors at 30 June 2020 that served during the year is set out below:

	Number of Ordinary Shares	Percentage of Issued Share Capital	Number of Options	Number of Performance Rights
Peter Bilbe	250,000	0.14%	1,500,000	-
Paul Cronin	17,601,332	9.79%	5,000,000	750,000
Eric de Mori	9,354,000	5.20%	4,000,000	-
Julian Barnes	-		1,000,000	-
Milos Bosnjakovic	16,000,000	8.90%	1,000,000	2,000,000
Michael Rawlinson	40,000	0.02%	1,000,000	-
Sandra Bates	-		1,000,000	-
John Richards	-		1,000,000	-
	43,245,332		15,500,000	2,750,000
In issue at 30 June 2020	179,840,987		19,600,000	3,810,000
Percentage held by directors that served during the year	24.05%		79.1%	72.2%

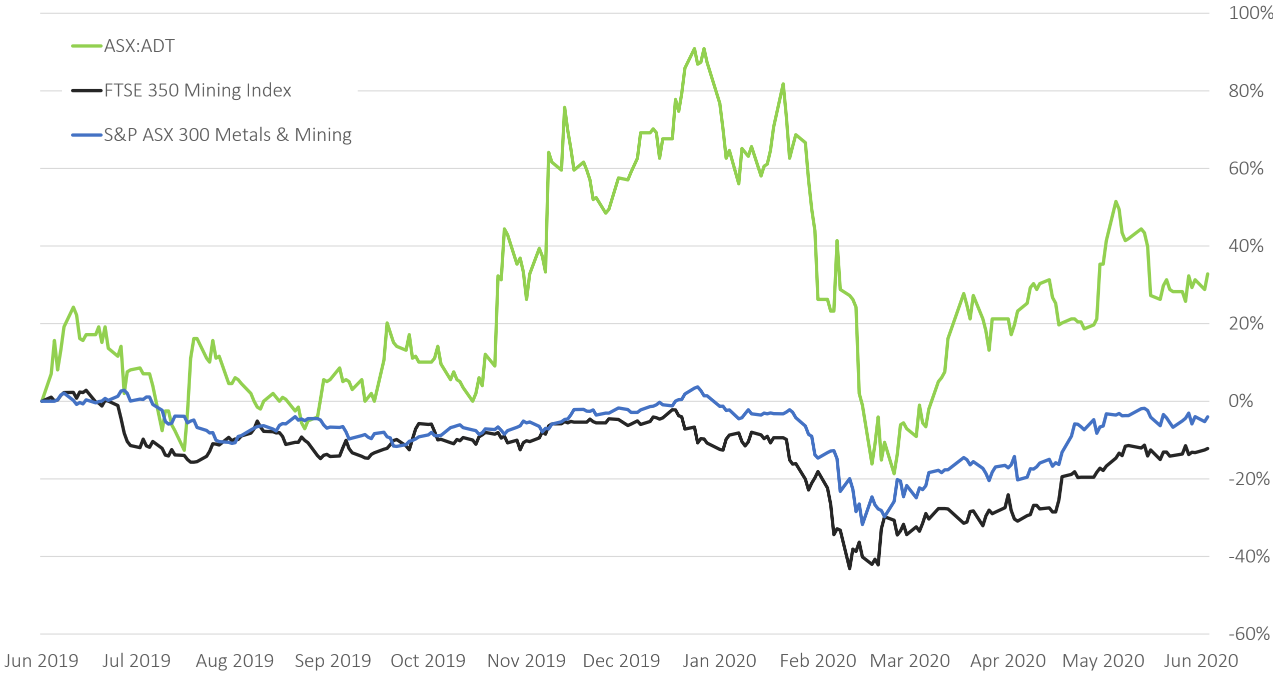
All options in the table above had vested at 30 June 2020. None of the performance rights had vested and as noted previously, the 2,000,000 performance rights held by Mr Bosnjakovic at 30 June 2020 subsequently lapsed on 31 July 2020.

Other disclosures on remuneration for the year ended 30 June 2020

Other than option and performance rights awards detailed above, no other remuneration was paid or payable during the year. As such, there are no further disclosures to be made in respect of salaries or fees, pension, benefits, annual bonus or long term incentive awards. No payments were made for loss of office during the year. There were no payments during the year to past directors.

UK performance graph against CEO remuneration

The Directors have considered the requirement for a UK performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The chart below illustrates the Company's share price performance during the year compared to relevant market indices:



The total monetary value of remuneration for the person undertaking the role of Chief Executive Officer was as follows:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Cash remuneration	238,158	172,917
Value of share awards vested	620,731	371,804
	858,889	544,721

CEO Remuneration

Cash remuneration for the Chief Executive Officer role increased by 38% compared to the prior year and total monetary value of all remuneration increased by 58% compared to the prior year.

REMUNERATION COMMITTEE REPORT - CONTINUED

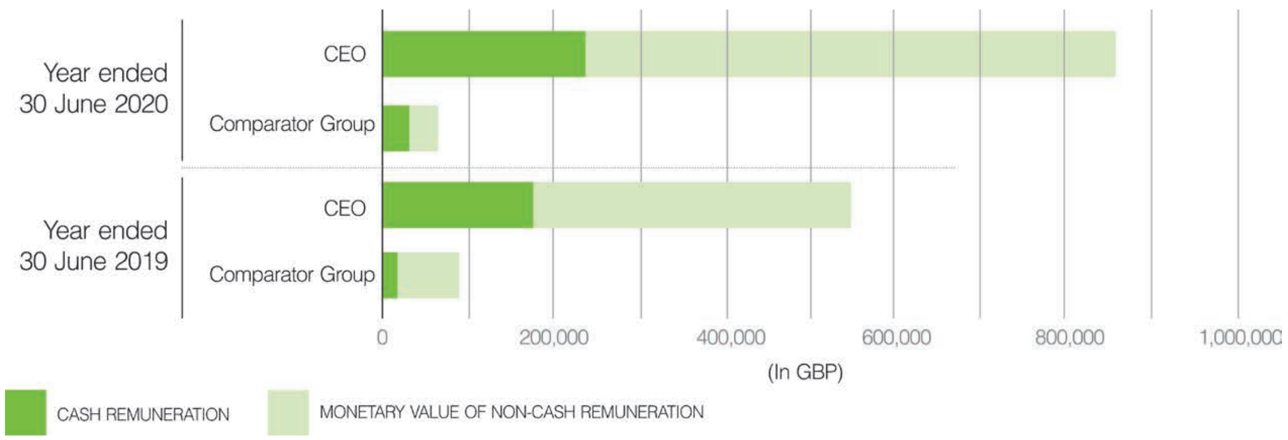
Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to other financial metrics.

The total monetary value of Group remuneration was as follows:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Cash remuneration	1,299,362	650,091
Value of share awards vested	973,351	1,905,454
	2,272,713	**2,555,545**
Average number of employees	39	30

All employees, including all other Directors, key management personnel and those engaged via personal service contracts were chosen as the most appropriate comparator group as this includes senior executives and international employees. Average remuneration of the comparator group compared to that of the CEO in the current and previous year, was as follows:

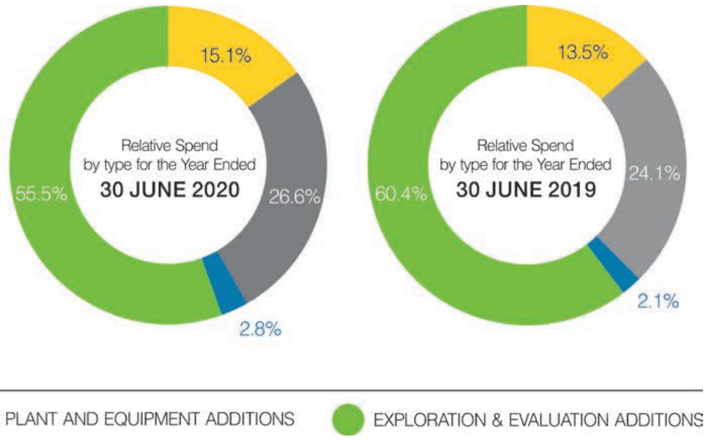


The table below sets out the details of total group general & administration expenses and capex:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
G&A expenses	3,315,634	1,706,593
Property, plant and equipment additions	237,543	99,803
Exploration & evaluation additions	5,048,523	3,014,471
	8,601,700	**4,820,867**

Relative Spend

Cash remuneration represented 15.1% of the total general and admin, Capex and exploration and evaluation spend during the year (30 June 2019: 13.5%).



Remuneration policy in 2020/21

In August 2020 the Company engaged the services of an independent remuneration consultancy to review and make recommendations for the Company's remuneration policy for the coming year.

The annual fees payable to Directors by the Company, as at 28 September 2020, are as follows:

	Board Fees	Consultancy Fees	Total
Michael Rawlinson	30,000	-	30,000
Peter Bilbe	30,146[(1)]	-	30,146
Paul Cronin	39,500[(2)]	170,000	209,500
Julian Barnes	30,000	-	30,000
Sandra Bates	30,000	-	30,000
Sanela Karic	30,150[(3)]	-	30,150
Total Directors' Remuneration	**99,796**	**170,000**	**269,796**

1. Contractual amount A$54,000
2. Includes BAM 20,400 payable under a Director management agreement with Eastern Mining d.o.o.
3. Contractual amount EUR33,000

The fixed remuneration of the CEO is not anticipated to change during the 2020/21 year.

The Company does not anticipate making further bonus or long term incentive awards to the Executive Director during 2020/21.

The Company is currently conducting a review of the remuneration of its Chairman and Non-Executive directors and anticipates making changes to fee levels including introducing fees for committee chairs during 2020/21.

Peter Bilbe
Chairman of the Remuneration Committee
28 September 2020

DIALOGUE WITH SHAREHOLDERS

a) All Investors

The Board is committed to providing shareholders with clear and timely information on Adriatic's activities, strategy and financial position. General communication with shareholders is co-ordinated by the Chairman and Chief Executive Officer together with the Investor Relations Manager.

The Company publishes on its website a range of information which helps current and potential shareholders to make an assessment of the Group's position and prospects:

- Investor presentations
- Technical reports on the project
- Resources estimates
- Annual and Interim Financial Statements
- Quarterly Activities Reports
- Business Strategy
- Governance material including the Corporate Governance Manual and Anti-Bribery policy
- All regulatory and other announcements relating to equity issues, Board changes, etc
- Shareholder information (AGM etc)
- Contact details for the Company

The Company's AGM will be held in London following the publication of its annual results and all shareholders are (subject to any COVID-19 related restrictions) invited to attend.

b) Institutional Investors

The Board maintains a regular dialogue with the Company's major institutional investors, providing them with such information on the Company's progress as commercial confidentiality, market abuse rules and other legal requirements permit. The Company typically holds meetings with institutional investors and other large shareholders following the release of interim and financial results.

c) Private Investors

The Company acknowledges that the majority of its private investors hold their shares via nominee shareholders and may not be able to fully exploit their shareholder rights effectively. Accordingly, the Company is committed to engaging with all shareholders and not just institutional shareholders.

The Company has an Investor Relations Manager based at the registered office in Cheltenham, who deals with shareholder enquiries and works in conjunction with the Company's PR advisers to facilitate engagement with its private investors.

d) Board review

The Board is kept informed of the views and concerns of major shareholders by briefings from the CEO and the Chairman and the Company's Brokers. Analyses of the share register commissioned from external consultants are also periodically circulated to the Board, together with significant investment reports from analysts.

DIRECTORS' REPORT

Introduction

In accordance with Section 415 of the Companies Act 2006, the Directors of Adriatic Metals plc present their report to shareholders for the financial year ended 30 June 2020. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the Annual Report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the Annual Report, as indicated below.

Directors

The names of the Directors who held office during the financial year and to the date of this report were:

Michael Rawlinson*
(Chairman from 3 August 2020)

Peter Bilbe*
(Chairman until 3 August 2020)

Paul Cronin
(Managing Director and CEO)

Julian Barnes*
(Non-executive Director)

Sandra Bates*
(Non-executive Director) (from 11 November 2019)

Sanela Karic*
(Non-executive Director) (from 3 August 2020)

Eric de Mori
(Non-executive Director) (until 8 October 2019)

Milos Bosnjakovic
(Executive Director) (until 11 June 2020)

John Richards
(Non-executive Director) (from 11 November 2019, resigned 8 July 2020)

* Determined by the board to be independent in accordance with the UK Corporate Governance Code

The company secretaries are Geoff Eyre and Gabriel Chiappini (joint).

Results and dividends

The Group results for the year ended 30 June 2020 are set out in the Financial Review on page 28 and 29.

The Company's aim is to generate long term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity in due course. However, due to the early stage nature of the Company and the Vares Silver Project, no interim dividend was paid for the half-year ended 31 December 2019 and no final dividend is recommended for the year ended 30 June 2020.

Share capital

The Company was granted authority at the 2019 AGM to allot shares in the capital of the Company up to a maximum nominal amount of £673,830, (equivalent to 50,455,260 shares) in accordance with Section 551 of the Companies Act 2006. Details of the Company's share capital are set out in note 13b to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year.

The Company's aim is to generate long term value for its stakeholders and design a shareholder distribution policy that reflects the growth prospects and profitability of the Company while maintaining appropriate levels of operational liquidity in due course. However, due to the early stage nature of the Company and the Vares Silver Project, the Board no interim dividend was paid for the half-year ended 31 December 2019 and no final dividend is recommended for the year ended 30 June 2020.

Directors' and Officers' Insurance

The Company has arranged appropriate Directors' and Officers' insurance to indemnify the Directors and Officers against liability in respect of proceedings brought about by third parties. Such provisions remain in place at the date of this report.

Auditors

BDO LLP (Chartered Accountants) have been appointed as auditors of Adriatic Metals plc and will be proposed for re-appointment at the 2020 Annual General Meeting.

DIRECTORS' REPORT - CONTINUED

Directors' interests

IInformation on share ownership, options and performance rights held by Directors can be found in this report and in the Remuneration Committee Report on page 48.

Substantial shareholdings

The Company's issued share capital as of 30 June 2020 was 179,840,987 ordinary shares and at 28 September 2020 was 182,940,987 ordinary shares. No shares are held in treasury. Thus, the total voting rights are 182,940,987 ordinary shares.

At 30 June 2020, the Company had been notified, pursuant to the Financial Conduct Authority's Disclosure Guidance and Transparency Rule (DTR 5), or was otherwise aware of the following substantial interests (3% or more) in the Company's issued share capital.

Shareholder	Number of ordinary shares	Percentage of issued share capital
Sandfire Resources	28,542,198	15.87
Mr Paul D Cronin	17,601,332	9.79
Mr Milos Bosnjakovic	16,000,000	8.90
Mr Eric De Mori	9,354,000	5.20
Datt Capital	9,037,942	5.03
RBC Capital Markets	8,333,730	4.63
	88,869,202	49.42

As at 22 September 2020, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had not been notified, pursuant to DTR 5 that the above positions had changed.

Changes in interests that have been notified to the Company pursuant to DTR 5 since 28 September 2020 can be found in the Regulatory News section of the Investors page of the Company's corporate website: https://www.adriaticmetals.com/investors/lse-announcements/.

Listing Rules disclosure

The information required to be disclosed by LR 9.8.4R can be found in the following locations:

Details of long term incentive schemes and share options plans	Note 13c to the Consolidated Financial Statements and the Remuneration Committee Report
Contracts of significance with a controlling shareholder	Details of the Collaboration and Strategic Partnership Deed Collaboration with Sandfire Resource can be found in the Strategic Report.

Supplier payment policy

The Company's current policy concerning the payment of trade creditors is to follow the Confederation of British Industry's Prompt Payers Code (copies are available from the CBI, Centre Point, 103 New Oxford Street, London WC1A 1DU).

Branches

Adriatic Metals plc does not have any branches of the Company outside of the United Kingdom as defined in s1046(3) of the Companies Act 2006.

Financial risk management and financial instruments

Information regarding the financial risk management and internal control processes and policies and exposure to the risks associated with financial instruments, can be found in note 12 to the Consolidated Financial Statements, the Corporate Governance, Risk Management and Internal Control sections on pages 10 to 15.

Greenhouse Gas Emissions

The Group consumed less than 40,000MWh of energy during the year. As a low energy user, the Group is not required to make detailed disclosure of energy and carbon information. The Group's energy and carbon information is not disclosed for that reason.

Political donations

Nether Adriatic Metals plc or its subsidiary have not made any political donations during the year.

Powers of Directors

Subject to the Company's Articles of Association, UK legislation, ASX Rules and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and also provide the power to make purchases of any of its own shares.

The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.

Going concern

The Group incurred a loss in the year of £6,238,324 (2019 - £2,417,653). However, the Group also had a net asset position at the balance sheet date of £20,895,753 (30 June 2019 - £10,248,889).

The Company and Group meet their working capital requirements with the support of investors. The recent results from the Vares Silver Project scoping study indicated a project NPV_8 of US$917 million and IRR of 107%.

The Group's operations have been largely unaffected by COVID-19 with exploration and development work continuing with only minor disruption. The Vares Silver Project's economics, the resource based of which includes a substantial element attributable to precious metals, remain attractive notwithstanding the impact that COVID-19 has had on commodity prices and demand.

Cashflow forecasts prepared inclusive of discretionary expenditure, based on planned levels of future activity, indicate that the Group will need to raise additional finance within the next 12 months. However, the Directors' believe that the Group can secure the additional funding necessary to continue in operational existence for the next 12 months at planned activity level from the date of this report.

Cashflow forecasts prepared based on current committed expenditure and non-discretionary spend only indicate that the Company has sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the Consolidated and Parent Company Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

Please refer to note 22 in the Consolidated Financial Statements for a detailed report on major events that occurred subsequent to 30 June 2020.

Likely future developments

In the near term, the Company expects to complete the acquisition of Tethyan, complete the preliminary feasibility study for the Vares Silver Project and commence the definitive feasibility study.

Annual General Meeting (AGM)

The date and location of the 2020 AGM will be announced in due course. At the AGM, shareholders will have the opportunity to put questions to the Board, including the Chairs of the Board Committees.

Full details of the AGM, including explanatory notes, will be contained in the Notice of the AGM, which will be distributed at least 28 days before the meeting. The Notice will set out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at www.adriaticmetals.com.

Corporate Governance Statement

The Disclosure Guidance and Transparency Rules (DTR 7.2) require certain information to be included in a Corporate Governance Statement set out in a Company's Directors' Report. In common with many companies, Adriatic Metals plc has an existing practice of issuing, within its Annual Report, a Corporate Governance Report that is separate from its Directors' Report.

Electronic communications

A copy of the 2020 Annual Report, other corporate publications, reports and announcements are available on the Company's website at the following link: www.adriaticmetals.com. Shareholders may elect to receive notification by email of the availability of the Annual Report on the Company's website instead of receiving paper copies.

Share rights

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors.

Voting rights

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs. Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2020 AGM.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the Directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

Additional information relating to holders of shares in the Company in the form of CHESS Depositary Instruments (CDIs) can be found in the Additional ASX Information section of the Annual Report on in the financial review on page 28 and 29.

Transfer of shares

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The Directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Statement of disclosure to the auditor

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

- So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware.
- He or she has taken all the reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Adriatic Metals plc Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 28 September 2020.

By order of the Board

Geoff Eyre
Chief Financial Officer and Joint Company Secretary

DIRECTORS STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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 Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for Standard List companies.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements; and,
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Opinion

We have audited the financial statements of Adriatic Metals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2020 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statement of cash flows and notes to the financial statements, 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 (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters, in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 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 financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that 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 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 we addressed the key audit matter in the audit
Carrying value of exploration and evaluation assets The Group's exploration and evaluation assets ('E&E assets') per Note 8 of the financial statements represent the most significant asset on its statement of financial position. As at 30 June 2020 £9,045,169 (2019: £3,971,210) of costs had been capitalised in relation to exploration activity. Management and the Board are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the E&E assets at 30 June 2020 may not be recoverable. Given the materiality of the E&E assets in the context of the Group's statement of financial position and the significant judgement involved in determining its carrying value we consider this to be a key audit matter.	Our specific audit testing in regard to this included: Reviewing management's and the Board's assessment of potential indicators of impairment of the E&E assets. The verification of licence status, in order to confirm legal title and terms of use. Reviewing exploration activity to assess whether there was any evidence from exploration results to date which would indicate a potential impairment. Obtaining an understanding of management's expectation of commercial viability, reviewing any supporting technical documentation and discussing results and operations with management. Specifically, we reviewed both the competent persons report compiled as part of the LSE listing and the scoping study on the Rupice and Veovaca projects. Holding discussions with the Group's independent expert to understand and challenge the key estimates and judgements that support the scoping study and underpin management's assessment of commercial viability, as well as assessing their competence, objectivity and independence. Inspecting approved budget forecasts and minutes of board meetings to confirm whether or not the Group intended to continue to explore the project areas. Reviewing and assessing the adequacy of the disclosures in the financial statements to check that they have been prepared in accordance with the requirements of the accounting standards. **Key observation:** **Based on the procedures performed, we found the assumptions made by management to be reasonable.**
Going concern The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. Given the Group's reliance on continuing funding and the significant judgements in making the assessment as to the Group's ability to continue as a going concern we consider this to be a key audit matter. The directors' assessment of the impact of COVID-19 and other matters relating to their going concern assessment are set out in note 2c to the financial statements which notes that at present the Group requires additional funding to progress the PFS and E&E for the next 12 months, but that none of these costs are committed under the licenses, and management have sufficient time to do further drilling under the licence terms.	Our specific audit testing in this regard included: We agreed the opening cash position used in the cash flow forecast to the audited position at 30 June 2020. We performed an accuracy check on the mechanics of the cash flow forecast model prepared by management and the directors. We critically assessed management's financial forecasts prepared for a period of at least 12 months from the date the financial statements. This included consideration of the reasonableness of key underlying assumptions by reference to current expenditure, commitments on the exploration assets and any potential impact of COVID -19 on the financial position of the Parent Company and Group over the going concern review period. We corroborated Management's assessment of future committed expenditure on the exploration assets to the underlying licences and considered whether it is reasonable that the Group has control of the timing of these cash flows over the going concern review period. We obtained an understanding of management's options for future fundraising that would be required to meet the Group's discretionary exploration spend and assessed reasonableness based on past success. We evaluated the disclosures made in the financial statements in respect of going concern. **Key observation:** **Our observations in respect of going concern are set out in the conclusions relating to going concern above.**

Key audit matter	How we addressed the key audit matter in the audit
Tethyan Bridging loan valuation On 11 May 2020 the Group announced a binding agreement to acquire Tethyan Resource Corp. As part of the transaction the Group has provided a secured convertible loan to Tethyan, and as at 30 June 2020 €1.3m was extended per Note 6 of the financial statements. Management are required to fair value the convertible loan note at each reporting period. As indicated in Note 4, there are significant estimates and judgements applied in that valuation and therefore this is considered to be a significant audit risk and a key audit matter.	Our specific audit testing in this regard included: We reviewed the loan agreement to obtain an understanding of the key terms affecting Management's assessment of fair value. We verified the flow of funds to Tethyan to the bank statements. We reviewed management's fair value assessment in terms of the financial reporting framework, checking that an appropriate valuation method was used to value the loan at both inception and at the year end. We assessed the inputs and assumptions for accuracy and reasonableness and agreed them to external information sources where appropriate. We also sought input from our internal valuation experts around the appropriate methodology for valuing the convertible instrument and the key inputs used in the calculation and method used by Management to value the convertible loan receivable. We reviewed the adequacy of the disclosure within the financial statements. **Key observation:** **Based on procedures performed, we found the valuation assumptions made by management to be reasonable.**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADRIATIC METALS PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £330,000 based on 1.5% of total assets. We consider total assets to be the most significant determinant of the Group's financial performance as the Group is engaged in the development of mining projects and the principal focus of the users is considered to be the total assets of the Group.

The materiality of the significant components of the Group was set at a lower materiality ranging from £210,000 to £240,000. The Parent Company's materiality was set at £210,000, being 65% of Group materiality.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Performance materiality was set at 65% of the above materiality levels. In setting the level of performance materiality we considered a number of factors including the recognition that this is a LSE listed group.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £6,600, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its environment, as well as assessing the risks of material misstatement in the financial statements at group level.

In approaching the audit, we considered how the group is organised and managed.

We assessed there to be two significant components being the Parent Company, Adriatic Metals Plc and Eastern Mining d.o.o, which is the holder of the licence and intangible asset in Veovaca and Rupice in Bosnia.

The Parent Company was subject to a full scope audit by the group auditor. A full scope audit for group reporting purposes was performed by a BDO network firm in Bosnia Herzegovina on Eastern Mining d.o.o. A planning meeting was held with the component auditor remotely and detailed group reporting instructions for the testing of the significant areas were sent to them. We also reviewed the audit files remotely and discussed the findings with the component audit partner, the audit team and component management.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006 and IFRS as adopted by the European Union and applicable law and regulation in Bosnia. As part of our Group audit work we reviewed the work performed by the auditor of the significant component to ensure an assessment was undertaken on the extent of the component's compliance with the relevant local and regulatory framework. We held meetings with Group Management and reviewed correspondence with legal counsel to form our own opinion on the extent of Group wide compliance.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- performing substantive testing on account balances which were considered to be at greater risk of susceptibility to fraud; and
- addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether judgements made in making accounting estimates are indicative of a potential management bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Other information - Continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited 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 statement of responsibilities set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 28 May 2020 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ending 30 June 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matt Crane
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

28 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

(In GBP)	Note	30 June 2020	30 June 2019
Assets			
Current assets			
Cash and cash equivalents		9,942,729	5,369,759
Other receivables and prepayments	5	451,546	361,724
Financial asset at fair value through profit and loss	6	1,241,514	-
Total current assets		**11,635,789**	**5,731,483**
Non-current assets			
Property, plant and equipment	7	910,920	721,128
Right of use asset	10	251,898	-
Exploration and evaluation assets	8	9,045,169	3,971,210
Total non-current assets		**10,207,987**	**4,692,338**
Total assets		**21,843,776**	**10,423,821**
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	682,402	174,932
Lease liability	10	10,530	-
Total current liabilities		**692,932**	**174,932**
Non-current liabilities			
Lease liability	10	255,091	-
Total non-current liabilities		**255,091**	**-**
Total liabilities		**948,023**	**174,932**
Shareholders' equity			
Share capital	13	2,401,777	2,013,701
Share premium	13	24,724,967	11,084,777
Share-based payment reserve	13	4,426,185	1,714,826
Foreign currency translation reserve		219,805	74,242
Retained deficit		(10,876,981)	(4,638,657)
Equity attributable to equity shareholders		**20,895,753**	**10,248,889**
Non-controlling interest		-	-
Total shareholders' equity		**20,895,753**	**10,248,889**
Total liabilities and shareholders' equity		**21,843,776**	**10,423,821**

The accompanying notes on pages 67- 85 are an integral part of these Consolidated Financial Statements.

The Consolidated Financial Statements of Adriatic Metals Plc, registered number 10599833, were approved and authorised for issue by the Board of Directors on 28 September 2020 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Geoff Eyre
Chief Financial Officer & Joint Company Secretary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

(In GBP)		Note	Year ended 30 June 2020	Year ended 30 June 2019
General and administrative expenses		15	(3,315,634)	(1,706,593)
Share-based payment expense		13e	(3,443,359)	(456,616)
Other income		18	6,131	-
Operating loss			**(6,752,862)**	**(2,163,209)**
Finance income		16	203,131	37,505
Finance expense		16	(11,580)	(291,949)
Revaluation of fair value asset		6	322,987	-
Loss before tax			**(6,238,324)**	**(2,417,653)**
Tax charge		14	-	-
Loss after tax			**(6,238,324)**	**(2,417,653)**
Other comprehensive income				
Items that will or may be reclassified to profit or loss:				
Exchange gain arising on translation of foreign operations			145,563	42,875
Total comprehensive loss			**(6,092,761)**	**(2,374,778)**
Loss for the year attributable to:				
Owners of the parent			(6,238,324)	(2,417,653)
Total comprehensive loss attributable to:				
Owners of the parent			(6,092,761)	(2,374,778)
Net loss per share	Basic and diluted (pence)	13f	(3.69)	(1.69)

The accompanying notes on pages 67 - 85 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

(In GBP)	Note	Number of shares	Share capital	Share premium	Share based payment reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent
30 June 2018		130,795,596	1,733,042	5,515,049	1,282,365	31,367	(2,221,004)	6,340,819
Comprehensive income for the year:								
Loss for the year		-	-	-	-	-	(2,417,653)	(2,417,653)
Other comprehensive income		-	-	-	-	42,875	-	42,875
Total comprehensive loss		**-**	**-**	**-**	**-**	**42,875**	**(2,417,635)**	**(2,374,778)**
Contributions by and distributions to owners:								
Issue of share capital	13	19,686,991	276,684	5,484,230	-	-	-	5,760,914
Exercise of options	13	300,000	3,975	85,498	(24,156)	-	-	65,317
Issue of options	13	-	-	-	456,617	-	-	456,617
30 June 2019		**150,782,587**	**2,013,701**	**11,084,777**	**1,714,826**	**74,242**	**(4,638,657)**	**10,248,889**
Comprehensive income for the year:								
Loss for the year		-	-	-	-	-	(6,238,324)	(6,238,324)
Other comprehensive income		-	-	-	-	145,563	-	145,563
Total comprehensive loss		**-**	**-**	**-**	**-**	**145,563**	**(6,238,324)**	**(6,092,761)**
Contributions by and distributions to owners:								
Issue of share capital	13	25,083,400	334,989	13,015,388	-	-	-	13,350,377
Fees in relation to issue of share capital	13	-	-	(797,655)	-	-	-	(797,655)
Exercise of options	13	3,975,000	53,087	1,422,457	(732,000)	-	-	743,544
Issue of options	13	-	-	-	3,443,359	-	-	3,443,359
30 June 2020		**179,840,987**	**2,401,777**	**24,724,967**	**4,426,185**	**219,805**	**(10,876,981)**	**20,895,753**

The accompanying notes on pages 67 - 85 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

(In GBP)	Note	Year ended 30 June 2020	(Restated) Year ended 30 June 2019
Cash flows from operating activities			
Loss for the year		(6,238,324)	(2,417,653)
Adjustments for:			
Depreciation of property, plant and equipment	7	52,645	11,178
Amortisation of exploration & evaluation assets	8	23,317	77,496
Amortisation of right-of-use assets	10	13,714	-
Share-based payment expense	13	3,443,359	456,616
Finance income	16	(203,131)	(37,505)
Finance expense	16	11,580	291,949
Revaluation of fair value asset	6	(322,987)	-
Changes in working capital items:			
Increase in other receivables and prepayments		(85,438)	(214,013)
Increase in accounts payable and accrued liabilities		498,074	63,108
Net cash used in operating activities		**(2,807,191)**	**(1,768,824)**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(235,117)	(105,998)
Purchase of exploration & evaluation assets		(4,942,689)	(3,014,471)
Loan issued	6	(876,201)	-
Interest received		37,742	37,505
Net cash from/(used) in investing activities		**(6,016,265)**	**(3,082,964)**
Cash flows from financing activities			
Net proceeds from the issue of ordinary shares	13	13,296,266	5,850,387
Interest paid on lease liabilities		(11,580)	-
Net cash flows from financing activities		**13,284,686**	**5,850,387**
Net increase in cash and cash equivalents		4,461,230	998,599
Exchange gains / (losses) on cash and cash equivalents		111,740	(273,229)
Cash and cash equivalents at beginning of the year		**5,369,759**	**4,644,389**
Cash and cash equivalents at end of the year		9,942,729	5,369,759

See note 21 for details of the restatement of the prior year comparatives in the Consolidated Statement of Cash Flows.

The accompanying notes on pages 67 - 85 are an integral part of these Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The consolidated financial statements present the financial information of Adriatic Metals Plc and its wholly owned subsidiary Eastern Mining d.o.o. (collectively, the Group) for the year ended 30 June 2020. Adriatic Metals Plc (the Company or the parent) is a public company limited by shares and incorporated in England & Wales. The Registered office has changed during the year. The registered office is located at Ground Floor, Regent House, 65 Rodney Road, Cheltenham GL50 1HX, United Kingdom.

The Group's principal activity is precious and base metals exploration and development. The Group owns the world-class advanced Vares Silver Project in Bosnia & Herzegovina. The Vares Silver Project consists of two high-grade polymetallic deposits, located at Rupice and Veovaca.

Bosnia & Herzegovina is well-positioned in central Europe and boasts a strong mining history, pro-mining environment, highly skilled workforce as well as extensive existing infrastructure and logistics.

The Vares Silver Project's captivating economics and impressive resource inventory have attracted Adriatic's highly experienced team, which is expediting exploration efforts to expand the current JORC resource. Results of a recent scoping study indicate an NPV_8 of US$917 million and IRR of 107%. Leveraging its first-mover advantage, Adriatic is rapidly advancing the project into the development phase and through to production.

2. Basis of preparation

a. Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission.

The Consolidated Financial Statements were authorised for issue by the Board on 28 September 2020.

b. Basis of measurement

These Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

These Consolidated Financial Statements are presented in Great Britain Pounds ("GBP"). The functional currency of the Company is the Great Britain Pound.

c. Going Concern

The Group incurred a loss in the year of £6,238,324 (2019 - £2,417,653). However, the Group also had a net asset position at the balance sheet date of £20,895,753 (30 June 2019 - £10,248,889).

The Company and Group meet their working capital requirements with the support of investors. The recent results from the Vares Silver Project scoping study indicated a project NPV_8 of US$917 million and IRR of 107%.

The Group's operations have been largely unaffected by COVID-19 with exploration and development work continuing with only minor disruption. The Vares Silver Project's economics, the resource based of which includes a substantial element attributable to precious metals, remain attractive notwithstanding the impact that COVID-19 has had on commodity prices and demand.

Cashflow forecasts prepared inclusive of discretionary expenditure, based on planned levels of future activity, indicate that the Group will need to raise additional finance within the next 12 months. However, the Directors' believe that the Group can secure the additional funding necessary to continue in operational existence for the next 12 months at planned activity level from the date of this report.

Cashflow forecasts prepared based on current committed expenditure and non-discretionary spend only indicate that the company has sufficient cash resources to continue in operation for a period in excess of 12 months from the date of signing the Consolidated and Parent Company Financial Statements. The Directors therefore believe there is not a material uncertainty regarding going concern that it is appropriate to prepare the financial statements on a going concern basis.

3. Significant accounting polices

The preparation of Consolidated Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. Below are the significant accounting policies applied by management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in note 4.

a. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and following subsidiaries at 30 June 2020:

Name of subsidiary	Country of incorporation	Shareholding on 30 June 2020	Shareholding on 30 June 2019	Nature of business
Eastern Mining d.o.o.*	Bosnia and Herzegovina	100%	100%	Mineral exploration & development

* Financial year end 31 December

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Standards, amendments and interpretations adopted

During the period, the following standards and amendments have been implemented.

Standard	Detail	Effective date
IFRS 16	Leases	1 January 2019
IFRS 11	Amendment – annual improvements 2015-2017 cycle	1 January 2019
IAS 19	Amendment – regarding plan amendments, curtailments or settlements	1 January 2019
IAS 23	Amendment – annual improvements 2015-2017 cycle	1 January 2019
IAS 28	Amendment – regarding long term interests in associates and joint ventures	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

i) IFRS 16, Leases

IFRS 16, which supersedes IAS 17, sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). Lessee accounting has changed substantially under this new standard while there is little change for the lessor. IFRS 16 has removed the classification of leases as either operating leases or financing leases and, instead, introduced a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and is required to present depreciation of leased assets separately from interest on lease liabilities in the Consolidated Statement of Comprehensive Income. A lessor continues to classify its leases as operating leases or financing leases, and to account for those two types of leases separately.

On 1 July 2019, the Group adopted IFRS 16. The Group has reviewed its contracts and agreements and the impact of IFRS 16 is shown in note 10.

c. Standards, amendments and interpretations effective in future periods

At the date of authorisation of these Consolidated Financial Statements, the following new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Group.

Standard	Detail	Effective date
IFRS 17	Insurance contracts	1 January 2021
IAS 1	Amendment – regarding the definition of material	1 January 2020
IAS 1	Amendment – regarding the classification of liabilities	1 January 2022

Management anticipates that all the pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. The group does not expect these Standard or Interpretation to have a material impact on the entity's financial statements in the period of initial application.

d. Foreign currency transactions and translations

The Group's consolidated financial statements are presented in GBP (£), which is considered to be the Company'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').

i) 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.

ii) 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.

e. Cash and cash equivalents

Cash and cash equivalents are comprised of cash held on deposit and other short-term, highly liquid investments with original maturities of three months or less. These deposits and investments are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

f. Other receivables

All receivables are held at amortised cost less any provision for impairment. A loss allowance for expected credit losses is made to reflect changes in credit risk since the initial recognition.

g. Exploration and evaluation assets

Pre-licence costs

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

Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Exploration and evaluation expenditure incurred on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a JORC-compliant resource.

Costs expensed during this phase are included in 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

Upon the establishment of a JORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as exploration and evaluation assets up to the point when a JORC-compliant reserve is established. Capitalised exploration and evaluation expenditure is considered to be an intangible asset and measured at cost less accumulated impairment.

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 and 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' and will be subsequently amortised in line with the useful economic life of the mine and rate of depletion of resources. Exploration and evaluation assets are not amortised during the exploration and evaluation phase and are considered to have an indefinite life until determine as part of a mine plan.

h. Property, plant and equipment

i) Land

Land is held at cost less accumulated impairment losses. Once JORC-compliant reserves are established and development is sanctioned, land is tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties' and will be subsequently depreciated in line with the useful economic life of the mine and rate of depletion of resources. Land is not depreciated during the exploration and evaluation phase and is considered to have an indefinite life until determine as part of a mine plan.

ii) Short lived property, plant and equipment

Short lived property, plant and equipment consists of buildings, plant and machinery, office furniture and equipment, transportation assets and computer equipment. Short lived property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of short lived property, plant and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

iii) Depreciation and amortisation

Land is not depreciated. All other short-lived property, plant and equipment depreciation is provided at rates calculated to expense the cost of property, plant and equipment, less their estimated residual value, using the straight-line method over their estimated useful life of the asset giving the following rates:

Land	Not depreciated
Buildings & Leasehold improvements	Shorter of 10% or lease term
Plant and equipment	15% - 33%
Assets under construction	Not depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if appropriate.

i. Leases

The Group has applied IFRS 16 for the first time in this period using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. There have been no adjustments to prior periods as a result of the application of this standard because the Group did not have any leases in the prior year.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

i) Transition Method and Practical Expedients Utilised

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

ii) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

iii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Company has a single right of use asset, relating to the lease of an office premised in the UK. Given the nature of the asset, the amortisation charge is included in general and administrative expenses.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

iv) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

v) Revision of lease term

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

j. Rehabilitation provision

The Group recognises provisions for contractual, constructive or legal obligations, including those associated with the reclamation of mineral interests and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for the rehabilitation is recognised at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding provision is added to the carrying amount of the related asset and the cost is amortised as an expense over the economic life of the asset. Following the initial recognition of the rehabilitation provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation. Currently the Group has not done any significant mining and thus management have assessed that no rehabilitation provision is necessary.

k. Interest income

Interest income is recorded on an accrual basis using the effective interest method.

l. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Except for trade and other receivables which do not contain a significant financing component, financial assets and financial liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issue of the financial instrument. Trade receivables which do not contain a significant financing component are recognised at their transaction price. Financial assets and financial liabilities are subsequently measured as described below.

i) Financial assets

Financial assets are subsequently recognised at amortised cost under IFRS 9 if it meets both the hold to collect and contractual cash flow characteristics tests. A financial asset is measured at fair value through other comprehensive income if the financial 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.

If neither of the above classification are met the asset is classified as fair value through the profit and loss or unless management elect to do so provided the classification eliminates or significantly reduces a measurement or recognition inconsistency.

a) Cash and cash equivalents and trade and other receivables

Cash and cash equivalents and trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment, if any.

b) Fair value through profit or loss

Financial assets measured at fair value through profit or loss are subsequently measured at fair value with changes in those fair values recognised in the profit and loss statement.

Assets held at fair value through profit or loss comprise of the convertible loan asset.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities designated at fair value through profit or loss, that are carried subsequently at fair value with gains and losses recognised in the profit and loss statement.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Group's financial liabilities initially measured at fair value and subsequently recognised at amortised cost include accounts payables and accrued liabilities, and the liability associated with the right of use asset (note 10).

m. Impairment of assets

i) Financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at each reporting date to determine a loss allowance for expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance is equal to the lifetime expected credit losses. If the credit risk has not increased significantly, the loss allowance is equal to the twelve month expected credit losses.

The expected credit losses are measured in a way that reflects the unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportable information that is available about past events, current conditions and forecasts of future economic conditions.

ii) Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate largely independent cash inflows, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss statement.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the profit and loss statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

n. Income taxes

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred income taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognised on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred income tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered, and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

The Group has no deferred tax assets or liabilities.

o. Earnings/loss per share

Basic loss per share is calculated by dividing the loss attributable to the common shareholders of the Group by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is calculated by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, which comprise share options and warrants granted.

p. Share premium

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

q. Share-based payments

i) Share-based payment transactions

The Company grants share options and performance rights to Directors, Officers, Consultants and employees ("equity-settled transactions"). The Board of Directors determines the specific grant terms within the limits set by the Company's share option plans.

ii) Equity-settled transactions

The costs of equity-settled transactions are measured by reference to the fair value at the grant date and are recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and the corresponding amount is represented in share option reserve. No expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where equity-settled transactions are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss statement over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of the options that will eventually vest.

Where equity-settled transactions are entered into with non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the equity instruments issued. Otherwise, share-based payments to non-employees are measured at the fair value of the goods or services received.

Upon exercise of share options, the proceeds received are allocated to share capital, and premium if applicable together with any associated balance in share-based payments reserve are transferred to retained earnings. The dilutive effect of outstanding options is reflected as additional dilution in the computation of diluted earnings per share.

r. Segmental reporting

The reportable segments identified make up all of the Group's activities. The reportable segments are an aggregation of the operating segments within the Group as prescribed by IFRS 8. The reportable segments are based on the Group's management structures and the consequent reporting to the Chief Operating Decision Maker, the Board of Directors. These reportable segments also correspond to geographical locations such that each reportable segment is in a separate geographic location. Income and expenses included in profit or loss for the period are allocated directly or indirectly to the reportable segments.

Non-current segment assets comprise the non-current assets used directly for segment operations, including intangible assets and property, plant and equipment. Current segment assets comprise the current assets used directly for segment operations, including other receivables and deferred costs. Inter-company balances comprise transactions between operating segments making up the reportable segments. These balances are eliminated to arrive at the figures in the Consolidated Financial Statements.

4. Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. Information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

Estimates

a. Exploration and evaluation asset impairment testing

The Group reviews and tests the carrying value of exploration and evaluation assets when events or changes in circumstances suggest that the carrying amount may not be recoverable in terms of IFRS 6. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs. The key estimates made includes discount rates, being the Group's weighted average cost of capital, future prices, E&E costs, production levels and foreign currency exchange rates.

b. Convertible loan valuation

The financial instrument as a whole is valued at fair value thought the profit and loss account. The Group has utilised the Black-Scholes Option Pricing Model to estimate the fair value of the conversion option associated with a loan granted to Tethyan Resource Corp. The use of the Black-Scholes option pricing model requires management to make various estimates and assumptions that impact the value assigned to the loan granted to Tethyan Resource Corp. including the forecast future volatility of the share price and the risk-free interest rate. See note 6 for further details regarding these inputs.

c. Share-based payments

The Group utilises the Black-Scholes Option Pricing Model to estimate the fair value of share options and performance rights granted to Directors, Officers and employees. The use of the Black-Scholes Option Pricing Model requires management to make various estimates and assumptions that impact the value assigned to the share options and performance rights including the forecast future volatility of the share price, the risk-free interest rate, dividend yield, the expected life of the share options and performance rights and the expected number of share which will vest. See note 13 for further details regarding these inputs.

Judgements

a. Functional currency

The Group transacts in multiple currencies. The assessment of the functional currency of each entity within the consolidated Group involves the use of judgement in determining the primary economic environment each entity operates in. The Group first considers the currency that mainly influences sales prices for goods and services, and the currency that mainly influences labour, material and other costs of providing goods or services. In determining functional currency, the Group also considers the currency from which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained. When there is a change in functional currency, the Group exercises judgement in determining the date of change.

Adriatic Metals PLC's functional currency is GBP and the functional currency of Eastern Mining d.o.o. is BAM, which is pegged to the Euro, this assessment is driven by the primary economic environment of each entity including products, labour, materials and professional services and the currency they are primarily transacted in.

b. Capitalisation of exploration costs

The Group uses its judgement to determine whether or not costs can be capitalised in accordance with IFRS 6 for exploration costs and IAS 16 for capitalised costs or whether they should be expensed.

c. Dispute with Sandfire

In connection with the legal claim by Sandfire Resources Limited ("Sandfire"), further details of which are disclosed in note 22 of the Consolidated Financial Statements, the Company has used its judgement to determine that as at 30 June 2020 no obligation exists to issue shares to Sandfire and the accounts have been prepared on that basis.

5. Other receivables and prepayments

(In GBP)	30 June 2020	30 June 2019
Other receivables	17,853	18,764
Prepayments and deposits	95,202	55,446
Taxes receivable	338,491	287,514
Total	**451,546**	**361,724**

All receivables are due within one year.

6. Financial assets at fair value through profit and loss

As part of the agreement to acquire 100% of TSX-V listed Tethyan Resource Corp. via a plan of arrangement in British Columbia, the Company provided a convertible loan facility of €1.3 million to Tethyan during the year and had advanced €1 million under the facility as at 30 June 2020.

This loan, is secured by first-ranking security over all or any part of Tethyan Resource Corp assets, is repayable at the earlier of 12 months from 10 May 2020, or by being terminated by letter agreement by either party. The loan accrues interest at 10%. The Group has the right to convert the loan to shares in Tethyan Resource Corp. at a rate of CAD 0.15 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In GBP)	Tethyan Loan
At 30 June 2019	-
Additions	876,201
Interest	12,624
Foreign exchange gain	29,702
Revaluation of fair value asset	322,987
At 30 June 2020	**1,241,514**

The loan was revalued at its fair value using the following inputs to the Black-Scholes valuation model:

	30 June 2020
Term	1 year
Share Price (CAD)	CAD 0.22
Exercise Price (CAD)	CAD 0.15
Volatility	140%
Risk Free rate	0.17%

The sensitivity of the value of the loan to changes in assumptions is as follows:

(In GBP)	Reasonably possible change	Increase	Decrease
Share price	(+/- 2.0%)	22,252	(22,158)
Volatility	(+/- 5.0%)	2,419	(2,418)

7. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant & machinery	Asset under construction	Total
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 difference	6,195	-	-	6,195
30 June 2019	630,978	105,341	-	736,319
Additions	97,989	139,554	–	237,543
Foreign exchange difference	7,987	1,296		9,283
30 June 2020	**736,954**	**246,191**	**-**	**983,145**
Depreciation				
30 June 2018	–	4,013	-	4,013
Charge for the year	–	11,178	-	11,178
Disposals	–	–	-	-
30 June 2019	–	15,191	-	15,191
Charge for the year	14,481	38,164	-	52,645
Foreign exchange difference	68	4,321	-	4,389
30 June 2020	**14,549**	**57,676**	**-**	**72,225**
Net Book Value				
30 June 2018	566,120	55,372	4,816	626,308
30 June 2019	630,978	90,150	-	721,128
30 June 2020	**722,405**	**188,515**	**-**	**910,920**

The Group has one operating location which is Bosnia & Herzegovina.

8. Exploration and evaluation assets

Cost (In GBP)	Exploration & Evaluation Assets
30 June 2018	**1,041,526**
Additions	3,014,471
Disposals	-
Foreign exchange difference	-
30 June 2019	**4,055,997**
Additions	5,048,523
Foreign exchange difference	49,522
30 June 2020	**9,154,042**
Amortisation	
30 June 2018	**7,291**
Charge for the year	77,496
Disposals	-
30 June 2019	**84,787**
Charge for the year	23,317
Foreign exchange difference	769
30 June 2020	**108,873**
Net Book Value	
30 June 2018	**1,034,235**
30 June 2019	**3,971,210**
30 June 2020	**9,045,169**

Exploration and evaluation assets are in respect of the Vares Silver Project concession, located in Bosnia & Herzegovina. The concession is 100% owned by Eastern Mining d.o.o. From 25 May 2020, the Vares Silver Project became subject to a minimum annual concession fee of €199,325 per annum. Concession fees are included in additions to exploration and evaluation assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Accounts payable and accrued liabilities

(In GBP)	30 June 2020	30 June 2019
Trade payables	466,610	105,886
Accrued liabilities	132,826	26,423
Other payables	82,966	42,623
	682,402	**174,932**

10. Right of use asset

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(In GBP)	Land & buildings
30 June 2018	-
Additions	-
30 June 2019	-
Additions	265,612
Amortisation	(13,714)
30 June 2020	**251,898**

The right of use asset relates to the new lease for the Group's head office. Under IFRS 16 this has been recognised as a right of use asset.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

(In GBP)	
30 June 2018	-
Additions	-
30 June 2019	-
Additions	265,612
Interest expense	11,580
Payments	(11,571)
30 June 2020	**265,621**

Of this amount, £10,530 is recognised as a current liability and the remainder is shown within non-current liabilities.

The following are the amounts recognised in profit or loss:

Cost (In GBP)	30 June 2020	30 June 2019
Depreciation expense of right-of-use assets	13,714	-
Interest expense on lease liabilities	11,580	-
Total amount recognised in profit or loss	**25,294**	**-**

11. Financial instruments

As at 30 June 2020 (In GBP)	At amortised cost	At fair value through profit or loss	Total
Financial assets			
Financial asset at fair value through profit and loss	–	1,241,514	1,241,514
Cash and cash equivalents	9,942,728	–	9,942,728
Other receivables and prepayments	113,055	–	113,055
Total financial assets	**10,055,783**	**1,241,514**	**11,297,297**
Financial liabilities			
Accounts payable and accrued liabilities	682,402	–	682,402
Lease liabilities	265,621	–	265,621
Total financial liabilities	**948,023**	**–**	**948,023**
Net financial assets	**9,107,760**	**1,241,514**	**10,349,274**

As at 30 June 2019 (In GBP)	At amortised cost	At fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	5,369,759	–	5,369,759
Other receivables and prepayments	74,210	–	74,210
Total financial assets	**5,443,969**	**–**	**5,443,969**
Financial liabilities			
Accounts payable and accrued liabilities	174,932	–	174,932
Lease liabilities	-	–	-
Total financial liabilities	**174,932**	**–**	**174,932**
Net financial assets	**5,269,037**	**–**	**5,269,037**

12. Financial risk management

a. Credit risk

Credit risk arises from the risk that a counter party will fail to perform its obligations. Financial instruments that potentially subject the Group to concentrations of credit risk consist of cash and cash equivalents and other receivables.

Due to the nature of the business, the Company's exposure to credit risk arising from routine operating activities is currently inherently low. However, the Audit and Risk Committee considers the risks associated with new material counterparties where applicable to ensure the associated credit risk is of an acceptable level.

The Group's largest exposure to credit risk is the convertible loan made to Tethyan Resource Corp. The Company has not yet completed the acquisition of Tethyan, but has sought to mitigate the credit risk by securitising the loan via first-ranking security over all or any part of Tethyan Resource Corp assets.

The total carrying amount of cash and cash equivalents, other receivables and the fair value financial asset in respect of Tethyan Resource Corp. represents the Group's maximum credit exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial risk management - Continued

The Group's cash is held in major UK, Australian and Bosnian financial institutions, and as such the Group is exposed to the risks of those financial institutions. Under Standard & Poor's short-term credit ratings, the Group's cash balances are all held in institutions with a A-1+ rating and as such are considered to have low credit risk.

The Group's other receivables predominantly relate to value added tax receivables due from governments in the UK and Bosnia. These amounts are excluded from the definition of financial instruments in the accounts and in and event are considered to have low credit risk. Of the remaining other receivables and prepayments, any changes in management's estimate of the recoverability of the amount due will be recognised in the period of determination and any adjustment may be significant.

The Board of Directors, with input from the Audit and Risk Committee is ultimately responsible for monitoring exposure to credit risk on an ongoing basis and does not consider such risk to be significant at this time. As such, the Group considers all if its accounts financial assets to be fully collectible.

b. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The following table illustrates the contractual maturity analysis of the Group's gross financial liabilities based on exchange rates on the reporting date. Contractual gross financial liabilities, shown below, are undiscounted estimated cash outflows which were applicable includes estimated future interest payments.

As at 30 June 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	682,402	–	–	–
Lease liabilities	-	-	-	369,745
	682,402			369,745

As at 30 June 2019 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	174,932	–	–	–

c. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the value of the Group's financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximising long term returns.

The Group conducts development and exploration projects in Bosnia. As a result, a portion of the Group's expenditures, other receivables, cash and cash equivalents, accounts payables and accrued liabilities are denominated in Bosnian Marks, Great Britain Pounds, Australian Dollars, US Dollars, and euros and are therefore subject to fluctuation in exchange rates.

As at 30 June 2020, a 10% change in the exchange rate between the Great Britain Pound and the Bosnian Mark, which is a reasonable estimation of volatility in exchange rates, would have an approximate £0.8 million change to the Group's total comprehensive loss.

d. Fair values

The fair value of cash, other receivables, accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the statement of financial position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The level 3 fair value for the loan receivable is disclosed in note 6.

There were no transfers between any levels of the fair value hierarchy in the current or prior years.

e. Capital management

The Group's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing exploration and development and opportunities for growth through identifying and evaluating potential acquisitions of assets or businesses. The Company defines capital as the equity attributable to equity shareholders of the Company which at 30 June 2020 was £20,895,753 (30 June 2019 - £10,248,889).

The Group sets the amount of capital in proportion to risk and corporate growth objectives. The Group manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets.

13. Equity

a. Authorised share capital

The authorised share capital of the Company consists of an unlimited number of voting ordinary shares with a nominal value of £0.013355.

b. Common shares issued

	Shares	Share Capital (In GBP)	Share Premium In GBP)
30 June 2018	130,795,596	1,733,042	5,515,049
Issue of share capital	19,686,991	276,684	5,484,230
Shares issued on exercise of options and performance rights	300,000	3,975	61,342
Transfer from share based payments reserve	-	-	24,156
30 June 2019	150,782,587	2,013,701	11,084,777
Issue of share capital	25,083,400	334,989	13,015,388
Share issue costs	–	–	(797,655)
Shares issued on exercise of options and performance rights	3,975,000	53,087	690,457
Transfer from share based payments reserve	-	-	732,000
30 June 2020	**179,840,987**	**2,401,777**	**24,724,967**

The average price paid for shares issued in the year was £0.49 per share (30 June 2019: £0.31 per share)

c. Share options and performance rights

All share options and performance rights are issued under the Group's share option plan. The following tables summarise the activities and status of the Company's share option plan as at and during the year ended 30 June 2020:

	Weighted average exercise price of options (A$)	Number of options	Number of performance rights	Total options and performance rights
30 June 2018	0.30	19,500,000	-	19,500,000
Issued	-	-	-	-
Exercised	0.40	(300,000)	-	(300,000)
30 June 2019	0.33	19,200,000	-	19,200,000
Issued	1.19	4,000,000	6,560,000	10,560,000
Exercised	0.42	(3,225,000)	(750,000)	(3,975,000)
Expired	0.60	(375,000)	(2,000,000)	(2,375,000)
30 June 2020	**0.46**	**19,600,000**	**3,810,000**	**23,410,000**

On exercise, holders of performance rights are required to pay £0.013355 for each performance right exercised, being the nominal value of one ordinary share.

Options and performance rights granted in the year were valued using the Black-Scholes method (section e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Equity - Continued

As at 30 June 2020

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A$0.20	3.0	1 July 2023	9,000,000
27 April 2018	2,500,000	A$0.30	1.0	1 July 2021	2,500,000
27 April 2018	3,100,000	A$0.40	1.0	1 July 2021	3,100,000
29 May 2018	1,000,000	A$0.40	0.9	5 June 2021	-
29 November 2019	1,000,000	A$1.00	2.4	28 November 2022	1,000,000
29 November 2019	2,000,000	A$1.25	2.4	28 November 2022	2,000,000
29 November 2019	500,000	A$1.25	2.4	28 November 2022	500,000
29 November 2019	500,000	A$1.25	2.4	28 November 2022	-
	19,600,000				**18,100,000**

As at 30 June 2019

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	9,000,000	A$0.20	3.0	1 July 2023	9,000,000
27 April 2018	2,500,000	A$0.30	1.0	1 July 2021	2,500,000
27 April 2018	5,950,000	A$0.40	1.0	1 July 2021	5,950,000
27 April 2018	750,000	A$0.60	1.0	1 July 2021	750,500
29 May 2018	1,000,000	A$0.40	0.9	5 June 2021	-
	19, 200,000				**18,200,000**

As at 30 June 2020

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	1,310,000	2.4	28 November 2022	-
28 February 2020	2,000,000	0.1	31 July 2020	-
12 June 2020	250,000	3.5	6 January 2024	-
12 June 2020	250,000	4.5	6 January 2025	-
	3,810,000			**-**

On exercise, holders of performance rights are required to pay £0.013355 for each performance right exercised, being the nominal value of one ordinary share.

There were no performance rights outstanding at 30 June 2019.

d. Share-based payment reserve

The following table presents changes in the Group's share-based payment reserve during the year ended 30 June 2020:

(In GBP)	Share-based payment reserve
30 June 2018	1,282,365
Exercise of share options	(24,156)
Expired options	-
Share-based payment expense	456,617
30 June 2019	1,714,826
Exercise of share options	(732,000)
Expired options [1]	-
Share-based payment expense	3,443,359
30 June 2020	**4,426,185**

1. Expired in the same accounting period as they were granted.

e. Share-based payment expense

During the year ended 30 June 2020; the Group recognised £3,443,359 (30 June 2019: £456,616) of share-based payment expense. The fair value of the share-based compensation was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

For the year ended	30 June 2020	30 June 2019
Risk-free interest rate	2.01%	2.01% - 2.45%
Expected volatility [1]	78.14% - 115.82%	135%
Expected life (years)	0.42 – 5.18	3.36 – 5.36
Fair value per option	£0.39 – £0.68	A$0.132 – A$0.178

1. Expected volatility is derived from the Company's historical share price volatility.

With the exception of 3,000,000 options granted to non-executive directors during the year (30 June 2019: 2,500,000) that vested immediately, all options and performance rights have both market and non-market vesting conditions. Non-market vesting conditions include group and individual performance targets such as permitting milestones, exploration drilling rates or completion of business improvement projects. Details of the vesting condition relating to options and performance rights issued to executive Directors are included in the Remuneration Committee Report.

f. Per share amounts

	Year ended 30 June 2020	Year ended 30 June 2019
Loss for the period attributable to owners of equity (In GBP)	6,238,324	2,417,653
Weighted average number of common shares for the purposes of basic loss per share	168,915,249	162,519,601
Weighted average number of common shares for the purposes of diluted loss per share	185,645,660	169,607,587
Basic loss per share (pence)	(3.69)	(1.69)

5,160,000 options and performance rights have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Taxation

a. Current taxation

The tax charge for the period comprises:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Current tax expense	–	–
Overseas tax	–	–
Deferred tax expense	–	–
Adjustments to deferred tax liability	–	–
Total tax expense	**–**	**–**

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation in the United Kingdom applied to loss for the year is as follows:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Loss before tax	6,238,324	2,417,653
Expected income tax recovery at 19% (2019 - 19%)	1,185,282	459,354
Expenses not deductible for tax purposes	(654,238)	(86,757)
Unrecognised taxable losses and timing differences	(531,043)	(372,597)
Total income taxes	**–**	**-**

b. Deferred tax

The Group has no recognised deferred tax balance or gain/loss for the year ended 30 June 2020 or 2019 because of uncertainty regarding future taxable profits. As at 30 June 2020, the Group has, for tax purposes, non-capital losses available to carry forward to future years as follows:

(In GBP)	30 June 2020	30 June 2019	Expiry Date
UK	4,752,719	2,383,951	Not applicable
Bosnia	1,258,100	306,413	5 years
	6,010,819	**2,690,364**	

The expiry of non-capital losses available to carry forward in Bosnia is as follows:

(In GBP)	30 June 2020
Within one year	111,631
1-2 years	209,680
2-3 years	221,147
3-4 years	420,499
Within 5 years	296,142
	1,258,100

15. General and administrative expenses

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Wages and salaries	350,526	233,896
Consultancy fees	676,149	311,600
Cash remuneration in respect of qualifying services	**1,026,675**	**545,496**
Professional fees	1,051,354	399,131
Amortisation	37,031	77,496
Depreciation	52,645	11,646
Audit fee	47,289	28,605
Marketing	161,003	160,743
Stock exchange fees	358,663	51,221
Other costs	580,974	432,255
	3,315,634	**1,706,593**

16. Finance income and expense

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Interest income	50,366	37,505
Foreign exchange gain	152,765	-
Finance income	**203,131**	**37,505**

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Interest expense on lease liabilities	11,580	-
Foreign exchange loss	-	291,949
Finance expense	**11,580**	**291,949**

17. Segmental 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.

18. Related party disclosures

a. Related party transactions

The Group's related parties include key management personnel, companies which have directors in common and their subsidiaries.

The Company engaged Swellcap Limited, a related party controlled by Paul Cronin to provide the Company with corporate office facilities and services, payments totalled £34,622 for the period ending 30 June 2020 (30 June 2019:£67,000). The Company entered a lease for office premises in December 2019 and office facilities and services in the sum of £6,131 (30 June 2019: nil) were invoiced to Swellcap Limited.

There were no balances outstanding with related parties at the 30 June 2020 (30 June 2019: nil)

Transactions with key management personnel are disclosed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Related party disclosures - Continued

b. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel are considered to be the Directors of the Company, the former CEO Geraint Harris and the current and former CFOs Geoff Eyre and Sean Duffy respectively, their remuneration for the year is presented below:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Board fees	243,594	172,191
Consultancy fees	539,629	295,419
Cash remuneration in respect of qualifying services	**783,223**	**467,610**
Share based payments expense	2,880,487	350,036
Social security costs	16,835	4,047
	3,680,545	**821,693**

Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model. Further details are available in note 13e of the accounts.

Consultancy fees above include the following amounts paid to related party companies controlled by key management personnel:

(In GBP) Related party	Controlling party	Year ended 30 June 2020	Year ended 30 June 2019
Swellcap Limited	Paul Cronin	198,998	-
GPE Consulting Limited	Geoff Eyre	80,830	-
Orme Mineral Services Limited	Geraint Harris	-	172,917
Gumtree Limited	Sean Duffy	72,718	55,002

There were no balances outstanding with related parties as at 30 June 2020 (30 June 2019: nil).

19. Directors and employees

Employees of the Group are all employees including Directors, key management personnel and personnel in management positions engaged via management services contracts. The below information relates to all employees and all costs including those capitalised.

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Gross salaries	416,930	287,431
Consultancy fees	882,432	362,660
Cash remuneration in respect of qualifying services	**1,299,362**	**650,091**
Social security costs	62,407	64,169
Defined contribution pension cost	2,975	-
Share based payments expense	3,443,359	456,616
Total	**4,808,103**	**1,170,876**
Average number of employees	39	30

Share based payments expense is stated at fair value at the time of grant using the Black-Scholes Option Pricing Model. Further details are available in note 13e of the accounts.

Director' remuneration totalled the following:

(In GBP)	Year ended 30 June 2020	Year ended 30 June 2019
Board fees	243,594	172,191
Consultancy fees	386,081	67,500
Cash remuneration in respect of qualifying services	**629,675**	**239,691**
Average number of Directors	6	5

Additionally, the monetary value of directors' share awards that vested in the year, calculated as the number of awards vested multiplied by the share price on the vesting date less options exercise price or performance rights nominal value payable, was £853,978 (30 June 2019: £1,025,620) of which £233,247 relates to non-executive directors (30 June 2019: £771,605).

The highest paid Director in the year ended 30 June 2020 received cash remuneration, excluding notional gains on share options or performance rights, of £238,897 (30 June 2019: £80,807). The highest paid Director in the year ended 30 June 2020 received remuneration, inclusive of the monetary value of share awards that vested in the year, of £858,889 (30 June 2019: £512,813).

Of the total amount incurred as Directors remuneration, £nil (30 June 2019: nil) remains in accounts payables and accrued liabilities on 30 June 2020.

20. Commitments and contingencies

The Group had no significant commitments as at 30 June 2020 (30 June 2019: nil), other than the lease of the Group's head office disclosed in note 10 and annual concession fees disclosed in note 8.

21. Prior year adjustment

The consolidated statement of cash flows for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. There has been no change to the cash and cash equivalents at either the start or the end of the prior year as a result of the restatement.

22. Subsequent events

On 31 July 2020 the Company announced that Sandfire Resources Limited ("Sandfire"), which holds 15.9% of the ordinary shares of the Company, had commenced legal proceedings in the Supreme Court of Western Australia against the Company. Sandfire's purported claims include a declaration that Adriatic has breached the Collaboration and Strategic Partnership Deed ("Deed"), specific performance of the Deed, damages, interest and costs.

Sandfire alleges that it was entitled to acquire a total of 4,127,139 shares in Adriatic, at various issue prices pursuant to its anti-dilution right in the Deed.

The Company intends to vigorously defend these claims.

In July 2020 the Company provided a further €300,000 to Tethyan under the loan facility in note 6. In August 2020 the facility was increased from €1,300,000 to €1,800,000 and a further €500,000 provided to Tethyan bringing the total amount advanced under the loan to €1,800,000.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

(In GBP)	Note	30 June 2020	30 June 2019
ASSETS			
Current assets			
Cash and cash equivalents		9,577,188	5,100,764
Other receivables and prepayments	g	139,261	97,246
Financial asset at fair value through profit and loss	o	1,241,514	-
Total current assets		**10,957,963**	**5,198,010**
Non-current assets			
Investment in subsidiaries	j	11,021,333	5,623,315
Property, plant and equipment	h	47,129	22,486
Right of use asset	p	251,898	-
Exploration and evaluation assets		-	-
Total non-current assets		**11,320,360**	**5,645,801**
Total assets		**22,278,323**	**10,843,811**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	i	314,047	102,697
Lease liabilities	q	10,530	-
Total current liabilities		324,577	102,697
Non-current liabilities			
Lease liabilities	q	255,091	-
Total non-current liabilities		255,091	-
Total liabilities		**579,668**	**102,697**
Shareholders' equity			
Share capital	m	2,401,777	2,013,701
Share premium	m	24,724,967	11,084,777
Share-based payment reserve	m	4,426,185	1,714,826
Retained earnings		(9,854,274)	(4,072,190)
Total shareholders' equity		21,698,655	10,741,114
Total liabilities and shareholders' equity		**22,278,323**	**10,843,811**

The accompanying notes on pages 89 - 93 are an integral part of these Parent Company Financial Statements.

The Company's loss after tax for the year ended 30 June 2020 was £5,782,084 (year ended 30 June 2019: £2,048,501).

The Parent Company Financial Statements of Adriatic Metals Plc, registered number 10599833, were approved and authorised for issue by the Board of Directors on 28 September 2020 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Geoff Eyre
Chief Financial Officer & Joint Company Secretary

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

(In GBP)	Note	Number of shares	Value	Share premium	Share-based payment reserve	Retained earnings	Total equity
30 June 2018		130,795,596	1,733,042	5,515,049	1,282,365	(2,023,689)	6,506,767
Comprehensive income for the year:							
Loss for the year		–	–	–	–	(2,048,501)	(2,048,501)
Total comprehensive loss		**–**	**–**	**–**	**–**	**(2,048,501)**	**(2,048,501)**
Issue of share capital	13	19,686,991	276,684	5,484,230	–	–	5,760,914
Exercise of options	13	300,000	3,975	85,498	(24,156)	–	65,317
Issue of options	13	–	–	–	456,617	–	456,617
30 June 2019		**150,782,587**	**2,013,701**	**11,084,777**	**1,714,826**	**(4,072,190)**	**10,741,114**
Comprehensive income for the year:							
Loss for the year		–	–	–	–	(5,782,084)	(5,782,084)
Total comprehensive loss		**–**	**–**	**–**	**–**	**(5,782,084)**	**(5,782,084)**
Issue of share capital	13	25,083,400	334,989	13,015,388	–	–	13,350,377
Fees in relation to issue of share capital	13	–	–	(797,655)	–	–	(797,655)
Exercise of options	13	3,975,000	53,087	1,422,457	(732,000)	–	743,544
Issue of options	13	–	–	–	3,443,359	–	3,443,359
30 June 2020		**179,840,987**	**2,401,777**	**24,724,967**	**4,426,185**	**(9,854,274)**	**21,698,655**

The accompanying notes on pages 89 - 93 are an integral part of these Parent Company Financial Statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

In GBP	Note	Year ended 30 June 2020	(Restated) Year ended 30 June 2019
Cash flows from operating activities			
Loss for the year		(5,782,084)	(2,048,501)
Adjustments for:			
Depreciation of property, plant and equipment		16,946	3,968
Amortisation of right-of-use assets		13,714	-
Share-based payment expense		3,443,359	432,641
Finance income		(193,468)	(37,505)
Finance expense		11,580	291,949
Revaluation of fair value asset		(322,987)	-
Changes in working capital items:			
(Increase) / decrease in Other receivables and prepayments		(42,015)	13,248
Increase Accounts payable and accrued liabilities		211,350	36,924
Net cash used in operating activities		**(2,643,605)**	**(1,307,276)**
Cash flows from investing activities:			
Investment in subsidiaries		(5,390,808)	(3,760,149)
Purchase of property, plant and equipment		(48,789)	-
Loan issued		(876,201)	-
Interest received		28,079	37,505
Net cash from/(used) in investing activities		**(6,287,719)**	**(3,722,644)**
Cash flows from financing activities			
Issues of ordinary shares		13,296,266	5,850,387
Interest paid on lease liabilities		(11,580)	-
Net cash flows from financing activities		**13,284,686**	**5,850,387**
Net increase in cash and cash equivalents		4,353,362	820,467
Exchange gains / (losses) on cash and cash equivalents		123,062	(292,129)
Cash and cash equivalents at beginning of the year		5,100,764	4,572,426
Cash and cash equivalents at end of the year		**9,577,188**	**5,100,764**

See note d. for details of the restatement of the prior year comparatives in the Statement of Cash Flows.

The accompanying notes on pages 89 - 93 are an integral part of these Parent Company Financial Statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

a. Corporate information

These Financial Statements represent the individual financial statements of Adriatic Metals Plc (the "Parent Company"), the parent company of the Adriatic Metals Group for the year ended 30 June 2020.

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 Ground Floor, Regent House, 65 Rodney Road, Cheltenham, GL50 1HX.

b. Basis of preparation

i) Statement of compliance

These Parent Company Financial Statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission.

The Parent Company Financial Statements were authorised for issue by the Board of Directors on 28 September 2020.

ii) Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value.

The presentation currency of these Financial Statements is Great Britain pounds ("GBP"). The functional currency of the Company is deemed to be the GBP under IAS 21.

iii) Going concern

Refer to accounting policies in note 3 of the Consolidated Financial Statements.

c. Accounting polices

In addition to the accounting policies in note 3 of the Consolidated Financial Statements, the following accounting policies are relevant only to the Parent Company Financial Statements.

i) Investments in subsidiaries

Unlisted investments are carried at cost, being the purchase price, less provisions for impairment. Additional consideration paid when subscribing for new shares, which is the primary mechanism used for funding the subsidiary, are made via capital contributions and recorded as additions to investments in subsidiaries.

d. Prior year error

In the parent company financial statements, expenditure incurred by the company in relation to the Bosnian exploration projects has been reclassified from an intangible exploration asset to an investment in subsidiary. The reason for this change is that intangible exploration assets can only be recognised by the company which has the rights to explore – in accordance with IFRS 6. This is a change in classification only and resulted in an increase in investments and a decrease in intangible assets of £345,761 at 1 July 2018 and an increase in investments and a decrease in intangible assets of £734,414 at 30 June 2019. On the 30 June 2019 Parent Company cash flow statement, cash flows for the purchase of exploration and evaluation assets of £388,653, have been reclassified as Investments in subsidiaries.

The parent company statement of cash flows for the prior year has been restated to amend the disclosure of certain grouped line items to align them to the current year groupings. Alongside the error noted above there has been no change to the cash and cash equivalents at either the start or the end of the prior year as a result of the restatement.

e. Critical accounting estimates and judgements

The preparation of the Parent Company's Financial Statements in accordance with IFRS requires management to make certain judgements, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from these estimates. In addition to the critical accounting estimates and judgements in note 4 of the Consolidated Financial Statements, the following information about the significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses that are relevant only to the Parent Company Financial Statements are discussed below.

i) Value of investments in subsidiaries

The Parent Company, investments in subsidiary, which are made via capital contributions, are reviewed for impairment if events or changes indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant generating unit or disposal value if higher. No impairment indicators were identified in the year ended 30 June 2020.

f. Loss for the period

The Parent Company has taken advantage of the exemption under section 408 (3) of the Companies Act 2006 and thus has not presented its statement of comprehensive income in these Parent Company Financial Statements. The Parent Company's loss after tax for the year is £5,782,084 (Year ended 30 June 2019 – £2,048,501).

g. Other receivables and prepayments

Other receivables contain amounts receivable for VAT, prepaid expenses and deposits paid. All receivables are held at cost less any provision for impairment. A provision for impairment is made where there is objective evidence that the receivable is irrecoverable. All receivables are due within one year .

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

(In GBP)	30 June 2020	30 June 2019
Other receivables	17,063	1,529
Prepayments and deposits	47,203	-
Taxes recoverable	74,995	76,953
	139,261	**78,482**

h. Property, plant and equipment

Cost (In GBP)	Land & Buildings	Plant and machinery	Total
30 June 2018	-	-	-
Additions	-	26,454	26,454
Disposals	-	-	-
30 June 2019	-	26,454	26,454
Additions	17,425	27,405	44,830
30 June 2020	**17,425**	**53,859**	**71,284**

Depreciation			
30 June 2018	–	-	-
Charge for the period	–	3,968	3,968
Disposals	–	–	-
30 June 2019	–	3,968	3,968
Charge for the period	970	19,217	20,187
Disposals	–	–	-
30 June 2020	**970**	**23,185**	**24,155**

Net Book Value			
30 June 2018	-	-	-
30 June 2019	**-**	**22,486**	**22,486**
30 June 2020	**16,455**	**30,674**	**47,129**

i. Accounts payable and accrued liabilities

(In GBP)	30 June 2020	30 June 2019
Trade payables	233,058	77,760
Accrued liabilities	74,474	24,937
Other payables	6,515	-
	314,047	**102,697**

j. Investments in subsidiaries

The Parent Company has the following subsidiaries, held at cost:

Name of subsidiary	Country of incorporation	Shareholding at 30 June 2020	Shareholding on 30 June 2019	Nature of business
Eastern Mining d.o.o.	Bosnia and Herzegovina	100%	100%	Mineral exploration & development

Reconciliation of the carrying amount of investment in subsidiaries is as follows:

(In GBP)	Subsidiary investment
30 June 2018 (Restated)	1,863,166
Additions	3,760,149
30 June 2019 (Restated)	5,623,315
Additions	5,398,018
30 June 2020	**11,021,333**

k. Financial Instruments

The Company's financial assets and liabilities are classified as follows:

As at 30 June 2020 (In GBP)	At amortised cost	At fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	9,577,188	–	9,577,188
Other receivables	139,261	–	139,261
Financial asset at fair value through profit and loss	-	1,241,514	1,241,514
Total financial assets	**9,716,449**	**1,241,514**	**10,957,963**
Financial liabilities			
Accounts payable and accrued liabilities	314,047	–	314,047
Lease liabilities	265,621	–	265,621
Total financial liabilities	579,668	-	579,668
Net financial assets	**9,136,781**	**1,241,514**	**10,378,295**

As at 30 June 2019 (In GBP)	At amortised cost	At fair value through profit or loss	Total
Financial assets			
Cash and cash equivalents	5,100,764	–	5,100,764
Other receivables	97,246	–	97,246
Total financial assets	**5,198,010**	**-**	**5,198,010**
Financial liabilities			
Accounts payable and accrued liabilities	102,697	–	102,697
Total financial liabilities	**102,697**	**-**	**102,697**
Net financial assets	**5,095,313**	**-**	**5,095,313**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

l. Financial Risk Management

The Company is exposed to risks that arise from its use of financial instruments. The principle financial instruments used by the Company, from which financial risk arises, are set out in note k. The types of risk exposure the Company is subjected during the year are as follows:

i) Credit risk

The credit risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 12 of the Consolidated Financial Statements.

ii) Liquidity Risk

The liquidity risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 12 of the Consolidated Financial Statements.

The following table illustrates the contractual maturity analysis of the Company's gross financial liabilities based on exchange rates on the reporting date.

As at 30 June 2020 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	314,047	–	–	–
Lease liability	-	–	–	369,745
	314,047			369,745

As at 30 June 2019 (In GBP)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	102,697	–	–	–

iii) Market risk

The market risk that the Parent Company is exposed to, and the mitigation thereof, is substantially the same as that of the Group as a whole. Further details are provided in note 12 of the Consolidated Financial Statements.

As at 30 June 2020, a 10% change in the exchange rate between the Great Britain Pound and the Australian Dollar, which is a reasonable estimation of volatility in exchange rates, would have an approximate GBP0.9 million change to the Parent Company's total comprehensive loss.

iv) Fair values

The fair value of cash, other receivables, and accounts payable and accrued liabilities and joint venture obligation approximate their carrying values due to the short-term nature of the instruments.

Fair value measurements recognised in the Statement of Financial Position subsequent to initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

Level 1 – Fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities.

Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly.

Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The level 3 fair value for the convertible loan asset is disclosed in note 6 of the Consolidated Financial Statements. There were no transfers between any levels of the fair value hierarchy in the current period or prior years.

m. Equity

The movements in share capital, share premium and share based payment reserve are as detailed in note 13 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

n. Related party disclosures

The Parent Company's related parties include key management personnel, companies which have directors in common and its subsidiaries. Transactions with its Directors and key management personnel have been disclosed in note 18 of the Consolidated Financial Statements.

Transactions with companies which have directors in common during the year have been disclosed in note 18.

The Parent Company traded with undertakings within the same Group during the year ended 30 June 2020. A summary of the sum of absolute transactions and outstanding balances at the period end with each is set out below:

Name of related party	Nature of relationship	Nature of transaction	Absolute transaction value	Balance owed by / (owed to) related parties
Eastern Mining d.o.o.	Subsidiary	Investment in subsidiary	£5,390,808	-

o. Financial assets at fair value through profit and loss

The movements in Financial assets at fair value through profit and loss are as detailed in note 6 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

p. Right of use asset

The movements in right of use asset are as detailed in note 10 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

q. Lease liabilities

The movements in lease liabilities are as detailed in note 10 of the Consolidated Financial Statements. There are no differences between this and the Parent Company's transactions.

r. Commitments

Commitments relating to the Parent Company have been disclosed in note 20 of the Consolidated Financial Statements.

s. Subsequent events

Subsequent events relating to the Parent Company have been disclosed in note 22 of the Consolidated Financial Statement

ADDITIONAL ASX INFORMATION

Corporate governance statement

The Company's corporate governance statement for the year ended 30 June 2020 is available on the Company's website at https://www.adriaticmetals.com/downloads/corp-governance-files-/adt-2020-06-05-cgp-v03.pdf.

This statement has been approved by the Company's Board of Directors and is current as at 28 September 2020. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by the ASX Corporate Governance Council (Recommendations).

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Adriatic Metas Plc is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Adriatic Metals Plc has not followed a recommendation, this has been identified and an explanation for the departure has been given.

	Principles and recommendations	Comment
1.	**Lay solid foundations for management and oversight**	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Board is ultimately accountable for the performance of the Company and provides leadership and sets the strategic objectives of the comp any. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the Company, such as material acquisitions and takeovers, dividends and buy backs, material profits upgrades and downgrades, and significant closures. Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought to the Board's attention. They must operate within the risk and authorisation parameters set by the Board.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The terms of the appointment of a non -executive director, or executive directors and senior executives are agreed upon and set out in writing at the time of appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

	Principles and recommendations	Comment
1.5	A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board lo set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company's Corporate Governance Plan includes a 'Diversity Policy', which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. Board considers that is not appropriate to set formal diversity objectives as the present stage of the Company's development. Further detail on the Diversity Policy is included in the Strategic Report of the Directors.
1.6	A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chairman reviews the performance of the Board, its committees and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities. The most recent performance evaluation of the board was performed during August 2020.
1.7	A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives: and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chairman will monitor the Board and the Board will monitor the performance of any senior executives who are not Directors, including measuring actual performance against planned performance. The most recent performance evaluation of the Managing Director and CEO was performed during August 2020.
2.	**Structure of the board to add value**	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom ore independent directors: and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period. the number of times the committee met throughout the period and the individual attendances of the members at those meetings: or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Company has established a formal nomination committee has been established by the Company. The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee. In August 2020 the Nominations Committee was amalgamated with the Remuneration Committee. Refer to the Company's Annual Report for further details regarding the Nomination Committee.

ADDITIONAL ASX INFORMATION - CONTINUED

	Principles and recommendations	Comment
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, IT, HR. policy development, international business and customer relationship. External consultants may be brought it with specialist knowledge to address areas where this is an attribute deficiency in the Board.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest. position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position. association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Those directors who are considered to be independent are specified in the Directors Report. The length of service of each of the Company's directors is included in the Directors Report.
2.4	A majority of the board of a listed entity should be independent directors.	The majority of the Company's directors are independent.
2.5	The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Both Mr Bilbe, who was the Chairman through the reporting period, and Mr Rawlinson, who was subsequently appointed Chairman on 3 August 2020, are independent.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Chairman and Company Secretary brief and inform New Directors on all relevant aspects of the Company's operations and background. A director development program is also available to ensure that directors can enhance their skills and remain abreast of important developments.
3.	**Act ethically and responsibly**	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company's Corporate Governance Pion includes a 'Corporate Code of Conduct', which provides a framework for decisions and actions in relation to ethical conduct in employment.

	Principles and recommendations	Comment
4.	**Safeguard Integrity In financial reporting**	
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of ifs corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company has established an Audit and Risk Committee. Refer to the Company's Annual Report for further details regarding the Audit and Risk Committee.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from ifs CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	A declaration in accordance with these requirements has been provided by the CEO and CFO.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The Company seeks to ensure that where possible a representative of the audit engagement partner attends the forthcoming AGM and is available to answer shareholder questions from shareholders relevant to the audit.
5.	**Make timely and balanced disclosure**	
5.1	A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
6.	**Respect the rights of shareholders**	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company maintains information in relation to governance documents. directors and senior executives. Board and committee charters, annual reports. ASX announcements and contact details on the company's website.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to and actively uses social media to engage with shareholders.

ADDITIONAL ASX INFORMATION - CONTINUED

	Principles and recommendations	Comment
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Refer to commentary at Recommendation 6.2
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Australia at www.computershare.com/au.
7.	**Recognise and manage risk**	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (l) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Company has established an Audit and Risk Committee. The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter, which discloses the specific responsibilities of the committee. Refer to the Company's Annual Report for further details regarding the Audit and Risk Committee.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place	The Company's Corporate Governance Plan includes a risk management policy. The Company maintains a risk register as part of its risk management strategy which is periodically updated and subject to scrutiny by the Audit and Risk Committee. Where appropriate, the Audit and Risk Committee makes recommendations to the Board in respect of key operational risks and their management. Risks and the management thereof is a recurring item for deliberation at Board Meetings.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company is currently not in compliance with this recommendation as it does not maintain a separate internal audit function as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of a formal internal audit function. The Board, as a whole, evaluates and continually strives for improvement in the effectiveness of risk management and internal control processes. The Audit and Risk Committee receives the report from the Company's external auditors which includes an assessment of internal controls. In the event that weaknesses in internal control processes are identified these matters are brought to the attention of and dealt with by the Board.

	Principles and recommendations	Comment
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the Company's Annual Report for disclosures relating to the company's material business risks. The Company does not currently have material exposure to any economic, environmental or social sustainability risks. Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.
8.	**Remunerate fairly and responsibly**	
8.1	he board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company has established a Remuneration Committee. The Company's Corporate Governance Plan includes an Remuneration Committee Charter, which discloses the specific responsibilities of the Remuneration Committee. Refer to the Company's Annual Report for further details regarding the Remuneration Committee.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Refer to the Renumeration Committee report in the Company's Annual Report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Refer to the Renumeration Committee report in the Company's Annual Report.

ADDITIONAL ASX INFORMATION - CONTINUED

Shareholdings

At the time of publishing this Annual Report there is no on-market buy-back.

Substantial shareholdings

The Directors are aware of the Company's top 20 shareholders at 7 September 2020 as follows:

Rank	Name	Number of ordinary shares	Percentage of issued share capital
1	SANDFIRE RESOURCES Ltd	28,167,602	15.43
2	CITICORP NOMINEES PTY LIMITED	25,515,609	13.93
3	MR PAUL DAVID CRONIN	17,601,132	9.64
4	MR MILOS BOSNJAKOVIC	16,000,000	8.77
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,624,467	7.48
6	GLAMOUR DIVISION PTY LTD <THE HAMMER A/C>	8,755,808	4.80
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,530,243	4.67
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,676,079	4.20
9	ABADI INVESTMENTS PTY LTD <VK & ML DATT SUPER A/C>	5,659,400	3.10
10	NATIONAL NOMINEES LIMITED	3,192,464	1.75
11	MR ALBERTO LAVANDEIRA ADAN	2,666,664	1.46
12	UBS NOMINEES PTY LTD	2,500,000	1.37
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,457,804	0.80
14	PERSHING NOMINEES LIMITED	1,247,318	0.68
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,079,460	0.59
16	MRS PRUDENCE ELIZABETH DENIZ	977,273	0.54
17	KAVELLARIS NOMINEES PTY LTD <KAVELLARIS FAMILY A/C>	896,000	0.49
18	BBHISL NOMINEES LIMITED	855,888	0.47
19	MR ADAM MIETHKE	724,634	0.40
20	VIDACOS NOMINEES LIMITED	674,162	0.37
Totals: Top 20 holders		**147,733,017**	**80.93**
Total Remaining Holders Balance		**34,807,970**	**19.07**

As at 7 September 2020 the Directors are aware of five 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.

Distribution of Ordinary Shares

Range	Number of shareholders	Number of ordinary shares	Percentage of issued share capital
1 - 1,000	461	254,667	0.14%
1,001 - 5,000	564	1,507,850	0.83%
5,001 - 10,000	228	1,794,305	0.98%
10,001 - 100,000	365	11,743,455	6.43%
100,001 Over	95	167,240,710	91.62%
Total	**1,713**	**182,540,987**	**100.00%**

Unmarketable Parcels

	Minimum Parcel Size Shares	Number of shareholders	Total Shares
ASX Minimum trade parcel AUD$500.00 parcel at AUD$2.19 per share	229	79	6,326

Substantial Option and Performance Rights Holders

There are no substantial options or performance rights holders other than those disclosed in the Remuneration Committee Report.

Restricted securities

There were no restricted securities or securities or subject to voluntary escrow as at 30 June 2020.

Tenement holdings

The Company's tenements at 7 September 2020, all of which 100% owned by the Company's wholly owned subsidiary Eastern Mining d.o.o., were are follows:

Concession document	Registration number	Concession name	Area (Ha)	Date granted	Expiry date
Concession Agreement	No.:04-18-21389-1/13	Veovaca1	107.69	12-Mar-2013	11-Mar-2038
		Veovaca 2	90.54	12-Mar-2013	11-Mar-2038
		Rupice-Jurasevac, Brestic	83.19	12-Mar-2013	13-Mar-2038
Annex 3 - Area Extension	No.: 04-18-21389-3/18	Rupice - Borovica	452.00	14-Nov-2018	13-Nov-2038
	No.: 04-18-21389-3/18	Veovaca - Orti - Seliste - Mekuse	132.33	14-Nov-2018	13-Nov-2038
Annex 5 - Area Extension	*	Barice- Smajlova Suma-Macak	1,945	*	*
	*	Droskovac - Brezik	288	*	*
	*	Borovica – Semizova Ponikva	991	*	*
Total			**4,089.75**		

* Concession awarded as announced on 2 September 2020. The Company is the process of obtaining the exploration permit which will have an initial exploration period of 7 years with the possibility of extension for the further 3.5 years.

Chapters 6, 6A, 6B and 6C of the Corporations Act

As the company is incorporated in England and Wales, chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers) do not apply to the Company. In the United Kingdom, the City Code on Takeovers and Mergers (City Code) regulates takeovers and substantial shareholders and the Company is subject to the City Code.

ADDITIONAL ASX INFORMATION - CONTINUED

Voting rights

The Company is incorporated under the legal jurisdiction of England and Wales. To enable 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:

a) 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

b) 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

c) 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 British Columbia Law. 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.

COMPANY DIRECTORY

Board of Directors	Michael Rawlinson* (Chairman from 3 August 2020) Peter Bilbe* (Chairman until 3 August 2020) Paul Cronin (Managing Director and CEO) Julian Barnes* (Non-executive Director) Sandra Bates* (Non-executive Director) (from 11 November 2019) Sanela Karic* (Non-executive Director) (from 3 August 2020) Eric de Mori (Non-executive Director) (until 8 October 2019) Milos Bosnjakovic (Executive Director) (until 11 June 2020) John Richards (Non-executive Director) (from 11 November 2019, resigned 8 July 2020)
Chief Financial Officer	Geoff Eyre
Company Secretary	Geoff Eyre, Gabriel Chiappini (joint secretaries)
Registered Office	Ground Floor, Regent House, 65 Rodney Road, Cheltenham GL50 1HX
Australian Office	Ground Floor, 24 Outram Street, West Perth WA 6005
Brokers	BMO Capital Markets Limited, 95 Queen Victoria Street, London EC4V 4HG Canaccord Genuity Limited, 88 Wood Street, London EC2V 7QR Tamesis Partners LLP, 125 Old Broad Street, London EC2N 1AR
Auditors	BDO LLP, 55 Baker Street, London W1U 7EU
Stock Exchange Listings	London Stock Exchange (Code: ADT1) Australian Securities Exchange (Code: ADT)
Share registrars	Computershare UK: The Pavilions, Bridgwater Road, Bristol BS13 8AE +44 (0) 370 702 0003 Australia: Level 11, 172 St George's Terrace, Perth, WA 6000 +61 08 9323 2000
Registered Number	10599833
Web site	www.adriaticmetals.com

* Determined by the Board to be independent in accordance with the UK Corporate Governance Code.

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NOTES

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