Building a new European Mining Company

Annual Report 2023

For the year ended 31 December 2023

Introduction

ABOUT US

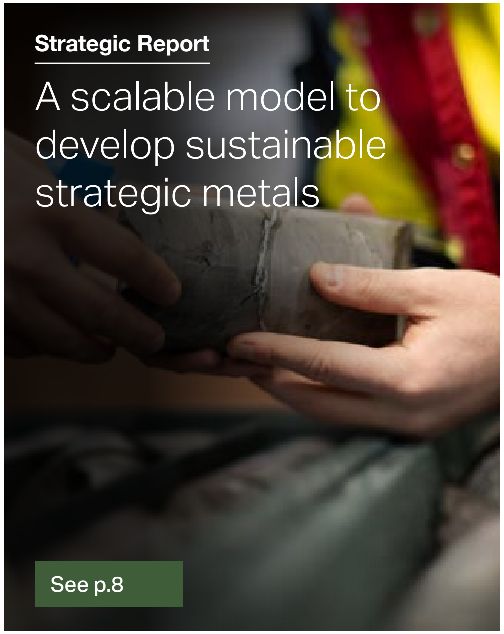
Adriatic Metals is a precious and base metals developer that is advancing the world-class Vareš Silver Project in Bosnia and Herzegovina, as well as the Raška Zinc-Silver Project in Serbia.

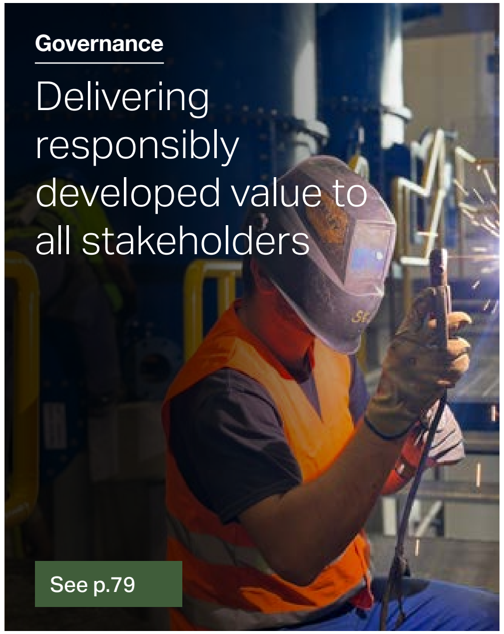
The Vareš Silver Project is fully constructed and first concentrate was produced in February 2024.

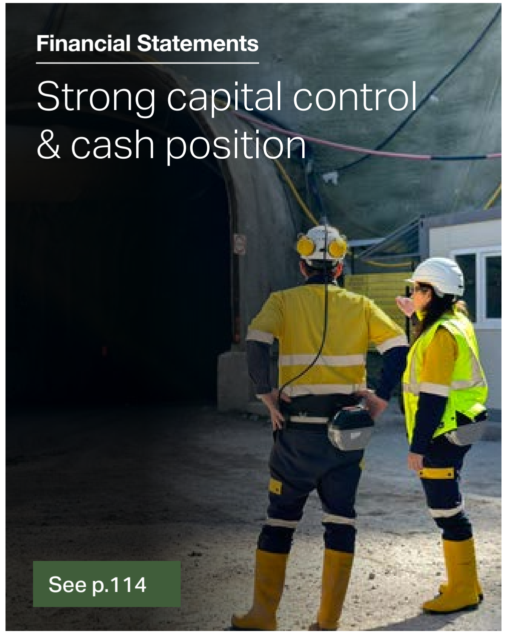
Concurrent with ongoing mining activities, the Company continues to explore across its highly prospective 44km^2 concession package.

Adriatic Metals is listed on the London Stock Exchange (LSE:ADT1), the Australian Stock Exchange (ASX:ADT) and the OTC Markets Group (OTCQX:ADMLF).

Highlights of the year







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Corporate

Delivering European resource self sufficiency

Company Overview

Europe's new source of **strategic metals**

The Company's asset portfolio consists of two polymetallic projects in southeast Europe, which are both situated on the Tethyan Metallogenic Belt. Adriatic's flagship asset is the Vareš Project in Bosnia and Herzegovina, which has been fully constructed and first concentrate was produced in February 2024. The Company also has an exploration project in Serbia called the Raška Project.

Bosnia and Herzegovina:

- Candidate for EU membership
- Local and federal government are supportive of mining industry
- Strong mining history and highly skilled workforce
- Clear and concise mining code in a stable democracy
- 10% corporate tax and favourable royalty regime
- Business friendly environment
- Extensive access to rail networks linking European smelters and the seaborne market

VAREŠ PROJECT BOSNIA AND HERZEGOVINA

The Company's flagship Vareš Project is located in the municipality of Vareš, within the Zenica-Doboj canton, approximately 50km north of the Bosnian capital of Sarajevo. The town has a long history of mining. State-owned iron ore mining operations and associated steelworks operated from the 1890s until the late 1980s and, as a result, there remains existing road, rail, water and power infrastructure. The Project's underground deposit, called Rupice, has high-grade silver and zinc dominant polymetallic mineralised widths of up to 65m from 250-300m deep.

The construction of the Vareš Project is now complete and first concentrate production took place on 27 February 2024. Mining development at Rupice is progressing well, with first ore mined in July 2023 and construction at the Vareš Processing Plant is now completed. The road, mine site infrastructure and additional infrastructure at the railhead and port were completed in Q4 2023. The Project is fully funded through ramp up.

On 5 March 2024, Adriatic marked the Grand Opening of the Vareš Project in Bosnia and Herzegovina. The official opening event took place at the Vareš Processing Plant and was attended by Nermin Nikšić, Prime Minister of the Federation of Bosnia and Herzegovina, Zdravko Marošević, Mayor of Vareš and other key dignitaries.

In 2023, exploration results from Rupice and Rupice Northwest significantly increased the scale of the Project delivering a Tier 1 project. In July 2023, Adriatic Metals announced a 93% increase in indicated tonnes compared to the 2020 Rupice MRE (using a 50 g/t AgEq cut-off), and in December announced an 80% increase since the previous Rupice Ore Reserve estimate stated as at July 2021. This increased Reserve materially extends the life of mine of the Vareš Project from 10 years to 18 years.

Exploration activity will continue to realise the resource and reserve potential of Rupice as the deposit remains open and still to be fully defined. In the wider Vareš region, significant potential remains across the range of greenfield, brownfield and advanced exploration targets. Adriatic is committed to advancing exploration regionally to find the next economic deposit that will diversify the current production profile and capitalise on the existing tenement holdings.

Chairman's Statement

Michael Rawlinson
Chairman of the Board

As a Company we are committed to building Europe's most modern and environmentally sustainable mine, that will operate to the highest standards in sustainability and stakeholder relations.

OVERVIEW

2023 has brought significant success and growth for Adriatic and I am impressed with how the management team have successfully navigated the construction of the Vareš Project, through commissioning and into production. Our world-class, multi-generational asset stands as the first development of this scale in Bosnia and Herzegovina in over 30 years and managing such a project is a challenging and relentless task. As a Company we are committed to building Europe's most modern and environmentally sustainable mine, that will operate to the highest standards in sustainability and stakeholder relations. This is evident through our stringent and continual sustainability assessments and is reflected in the support received from our local community and host nation. As we move closer to generating revenues from production in the upcoming year, the Company is strategically laying the foundations necessary for long-term success and ensuring sustainable returns for all stakeholders.

The mining industry has faced a testing time in recent years and the construction of a project of this scale has encountered multiple challenges. There has been global economic uncertainty and geo-political insecurity due to the Israeli-Palestinian conflict and continued war in the Ukraine. The related inflationary environment, currency instability, supply chain issues and rising interest rates have contributed to some delays in the project completion. Despite these inevitable challenges we are now well positioned to commence generating significant revenues over the next 18 years and beyond.

PROJECT DELIVERY

We are extremely proud that in July 2023, first ore was mined at Rupice. The Vareš Processing Plant is fully constructed and commissioned, the road connecting Rupice to the Vareš Processing Plant has been completed and the first train has travelled down the refurbished rail line from Podlugovi to Vareš Majdan. On 27 February 2024, the first silver/lead and zinc concentrates were produced. Across the Project ramp up is now underway with nameplate capacity expected to be reached in Q4 2024. On 5 March 2024, Adriatic celebrated the Grand Opening event of the Vareš Project with members of Government, local community and press.

The team's construction performance onsite has been complemented by outstanding results in the exploration programme. The ore body extension discovery at Rupice Northwest has delivered high-grade results, and in July and December respectively, Adriatic announced an updated Mineral Resource Estimate and Reserves Statement. The updated ore reserve for Rupice is now 13.8Mt, an increase of 89%. This significant increase in ore reserves has increased the life of mine (LOM), with production now set to continue through to 2041. The exploration team has clearly demonstrated that there is still considerable upside at Rupice, and in August, Adriatic successfully raised $32m to fund an expanded and accelerated exploration programme.

The fundraise was significantly oversubscribed and had strong global investor support. We firmly believe that the accelerated exploration programme in 2024 and 2025 will add further years to the Vareš Project's LOM and position Adriatic as one of the leading base and precious metals miners in Europe.

Another major accomplishment is the progress made with the development and completion of the Vareš Project with minimal escalation in capital expenditure. The adept management of budgets has played a pivotal role, ensuring that the Project remains fully funded through commissioning and ramp up.

SUSTAINABILTY

Sustainability is fully integrated into our operations, and Adriatic aims to be an industry leader in responsible business practices. In 2023, the increased levels of activity have placed a significant emphasis on all our socio-environmental impacts. In response to the heightened operational risk profile of construction, Adriatic has reinforced its occupational health and safety systems, intensified safety training efforts, expanded the safety team, and instilled health and safety practices into the operational culture.

The Company's commitment to all aspects of sustainability is paramount to maintaining a social licence to operate. Recognising the challenges confronting the mining sector, there is a need for a transformation in the extraction of mineral resources while acknowledging climate-related risks to the business. Adriatic is strategically positioned to produce high-grade critical metals within Europe, diminishing dependence on imports from higher-carbon producers and vulnerable supply chains in remote jurisdictions. By generating concentrates suitable for European smelters, Adriatic positively contributes to the decarbonisation of European supply chains, whilst reducing the energy intensity profile of its own product.

As a business, the priority is on professional development, encompassing education and training initiatives for all our staff. Proactive leadership is driving efforts to enhance the presence and contribution of women in the mining sector, and Adriatic takes pride in achieving a female workforce percentage over 27% of total employees - surpassing the industry average of 15%.

Adriatic has continued to measure our socio-economic and environmental impacts through our Community and Biodiversity Action Plans. Throughout the mining lifecycle, the Company aims for a net gain in biodiversity, guided by clear rehabilitation strategies related to climate action, water management, tailings management and reforestation. Collaborating with local businesses and entrepreneurs in the region, Adriatic is cultivating both capability and capacity in local supply chains and establishing connections with academic institutions to sponsor mining sector qualifications, thereby supporting the future recruitment of skilled nationals.

The Adriatic Foundation – the independently governed organisation that is part-funded by the Company has continued to review projects and investments in the key areas of environment, education, and health. We understand that creating a legacy is crucial to ensuring that these investments will finance initiatives that have been determined by the community themselves.

SHAREHOLDERS

I would like to thank our shareholders for their continued support during the last year and we welcome those who invested in the recent equity placing. We thank our debt, equity and streaming partner, Orion Mine Finance, for its continued commitment and assistance throughout the year. The Vareš Project is fully financed and significant cashflows are expected to commence in 2024 and accelerate in 2025. With the LOM increased to 18 years and with a comprehensive and highly targeted exploration programme, we aim to generate significant and sustainable returns to all our stakeholders for many years to come.

BOARD OF DIRECTORS AND MANAGEMENT

Adriatic continued to strengthen the management team throughout 2023, with key appointments to the operations and project delivery teams. I would like to thank Paul Cronin, our Managing Director and Chief Executive Officer, for his leadership and commitment throughout the past year. He has worked tirelessly to oversee the completion of the construction of the Project, something I doubt would have been possible had he not been based on site. Through the continued commitment and hard work of all our staff, we look forward to increasing momentum through 2024 and achieving our targets.

There were no changes to the Board of Directors in 2023. The Board is committed to strong corporate governance and the continued application of the Corporate Governance Code principles of the Quoted Company Alliance, of which the Company is a member. The Board continues to align the skills and experience of the Directors and management with the needs of Adriatic's business model and strategy as it delivers on its objectives.

OUTLOOK

Despite slight delays to the initiation of production, significant milestones were accomplished by the team in 2023, bringing the Project ever closer to completion. These achievements are particularly commendable given the challenging operational landscape. I take pride in the fact that the team has successfully realised these objectives in a principled manner - exhibiting integrity, positivity, and the utmost respect for the communities and other stakeholders hosting us in the country.

On behalf of the Board, I extend my gratitude to the management and employees for their persistent determination and hard work, which have yielded significant results. Additionally, I express appreciation to all our stakeholders for their steadfast support and dedication throughout this transformative year. We have demonstrated through the updated Reserves that Rupice will have a generational mine life and deliver significant benefits to the country, the local community and all our stakeholders. Anticipation is high as we eagerly look forward to the next chapter of the Adriatic story, as we ramp up to nameplate capacity and strong cashflows at the world-class Vareš Project.

Michael Rawlinson
Chairman of the Board

Strategic Report

A scalable model to develop sustainable strategic metals

Market Review

MACRO TRENDS AND DEVELOPMENTS

2023 was another turbulent year as the global economy adjusted to the highest inflation in decades, regional conflicts and geopolitical tensions continued. Central banks raised interest rates rapidly while trying to avoid triggering a major recession or further bank failures.

Amidst this backdrop, the mining industry has remained cautious about committing to new development projects, which will further cap supply growth after a prolonged period of underinvestment.

Key factors for the industry in 2024 include the potential for rate cuts from the major central banks, expected stimulus from China in order to reflate their economy in light of ongoing weakness in their property sector, and a year of pivotal elections including in the United States that will further reshape global relationships and trade.

EUROPEAN UNION CRITICAL RAW MATERIALS ACT

The European Union adopted the Critical Raw Materials Act on 7 December 2023. The regulation aims to increase the security of supply for key transition and industrial metals for the EU.

It mandates targets for the exploitation, refinement, recycling and stockpiling of specific strategic and critical raw materials, aiming to reduce permitting times and increase investment in domestic mining projects.

The Company is extremely well positioned to take advantage of this shift in European resource strategy through production at its Vareš mine. This further underpins the longer-term strategy to develop a European focussed multi-asset, mid-tier diversified miner.

Bosnia and Herzegovina and Balkan region

2023 saw a transition to new leadership across Bosnia and Herzegovina leading to some progress on EU accession. However, governing coalitions maintain their diverse makeups, leading to contrasting domestic and foreign policy priorities which continues to pose challenges.

Though acknowledged by the European Union with candidate status in December 2022, Bosnia and Herzegovina's accession pathway still hinges on the achievement of specific reforms. These, outlined in the October 2022 enlargement policy communication, demand a robust commitment to the rule of law, effective measures against corruption and organized crime, responsible migration management, and unwavering protection of fundamental rights.

However, as of March 2024, the European Commission has recommended to open EU accession negotiations with Bosnia and Herzegovina based on a report they submitted to the European Council citing progress in key, if not all, areas. If this is accepted the next stage is to adopt the negotiating framework. 2023 also brought a leadership change within Zenica-Doboj Canton's governing structure, diverging from the Federation of Bosnia and Herzegovina and state-level approaches. While this creates additional operation considerations for Adriatic, the Company is encouraged by initial interactions with the new Cantonal Prime Minister and his team. Adriatic anticipates maintaining the strong collaborative spirit fostered with previous administrations.

INTERNATIONAL METALS MARKET

Analysts predict strengthening base metal prices in 2024, as major economies rebound from the effects of high inflation and tighter monetary policy. Disruptions, resource nationalism and mine closures have largely erased the previously expected near-term surpluses, setting the stage for a rebound in metal prices.

Around 5% of global zinc mine supply was curtailed in 2023 due to low margins, and most of these operations also produce lead and silver as by-products. Of note were the closures of Boliden's Tara mine in Ireland, the largest zinc producer in Europe, as well as Aljustrel in Portugal and many other operations globally.

Silver industrial demand increased to all-time highs in 2023, largely due to the growth in photovoltaics and power grids, a trend that is expected to continue with materially higher investment in renewable energy over the coming decades. Gold prices reached a new all-time high last year, and precious metals are predicted to show further strength in 2024 amidst the ongoing geopolitical environment.

Inflation appears to be moderating across the major economies, which should lead to the end of the current interest rate tightening cycle. This would be a welcome change for metals demand and mining companies, who had to manage elevated cost inflation but are starting to see their cost structures level out in recent quarters.

METALS APPLICATIONS

Zinc is mainly used for galvanising iron and steel against corrosion, as well as die cast parts and brass. For the most part, galvanised steel and die cast parts are used to manufacture automobiles, and for steel structures and roofing in construction. Other uses include the manufacture of zinc oxide for vulcanising rubber and the use in cosmetics. In addition, there is significant interest in zinc for the manufacturing of stationary storage batteries (zinc-bromide chemistry) for renewable energy sources, as they represent a cheaper alternative to lithium ion.

Lead is predominately used in the manufacturing of Lead Acid Batteries ("LABs") for the most part used in automobiles. LABs will still be needed in electric vehicles ("EVs") for high-powered applications, such as start-up, for which a Li-ion battery is less suitable. Other uses of lead are in roofing, pigments, ammunition, cable sheathing, weights, ceramics, solders, alloys and radiation protection.

Silver has many applications including its use in the automobile industry to silver coat electrical contacts (particularly crucial to EVs high-speed charging infrastructure), and in silver membrane switches. Silver is used in photovoltaic cells, which are in ever greater demand as the world transitions to renewable energy. Silver is also used in electronics, soldering and brazing, high temperature ball bearings, medicine and water purification, as well as functioning as a precious metal, being particularly popular in the Asian sub-continent and the Middle East.

COMMODITY PRICE VOLATILITY

Commodity prices ranged through 2023, with gold prices rising 13% amidst global conflicts and a crisis in the US banking sector, while the zinc price fell 13% year-over-year on weaker industrial demand. Despite this volatility, Adriatic's projected net smelter return value varied only 6% year-over-year, which speaks to the advantages of operating a polymetallic project that evenly balances both precious and base metal exposure.

REFINING/SMELTING DEMAND AND SHUTDOWNS

In 2022, smelters were shutting down due to high electricity prices, but mine supply bounced back from the challenges of the pandemic, creating a temporary mismatch of concentrates, which led to relatively high treatment charges.

In a reversal of that situation, 2023 saw smelters turned back online while mines were put into care & maintenance due to low profitability. This has led to a tighter concentrate market with decreasing treatment charges, for example below $100/dmt for zinc concentrates.

These market conditions will be advantageous for the Company as first concentrates are produced this year.

OFFTAKERS

Contracts have been executed for the majority of Adriatic's first years of concentrate production. The zinc concentrate is committed to Trafigura, Boliden and Transamine and the silver/lead concentrate to Transamine and Glencore. The Company has retained the ability to market a small percentage of its annual production directly, at what has historically been advantageous spot terms.

SHIPPING

Sea freight rates started to rise at the end of 2023 amid tensions in the Red Sea, however costs remain below the elevated levels of 2021-2022. Looking ahead to 2024, Adriatic will primarily be shipping concentrates within Europe and so should not be greatly impacted by this temporary situation. In the medium term, increased shipbuilding activity from recent years is anticipated to keep rates relatively low.

Business Model

Generating positive stakeholder outcomes

Adriatic believes that economic development should underpin the prosperity and well-being of stakeholders at both local and national level. From inception, Adriatic has been committed to driving a culture that places host communities at the centre of the Company's objectives.

Demonstrating these embedded values and principles, the development and production of mineral resources have the potential to deliver long term value for all shareholders and stakeholders.

Development cycle

Portfolio Development

Targeting Pan-European, value accretive assets to diversify the portfolio

Asset Development

Continued exploration to add ore reserves to existing Vareš concession

Operational Development

Construction, production, workforce development and high operational standards

Sustainable Development

Reducing our environmental impact whilst increasing our positive social impacts

Restoration Development

Rehabilitation to ensure that biodiversity impacts are more than replaced

Resources & Relationships

Leadership expertise

- Strong ethics and clear policies
- Robust governance framework
- Experienced in-country team

Strong financial position

- Ample financing capacity to complete development and commence production
- Strong cash flow projections
- Stable balance sheet

High grade deposits

- Premium products can drive a higher valuation
- Quality source material can lower processing costs and environmental impacts meeting supply chain requirements

Supportive community

- Historic mining region with strong links to industry
- Existing industrial infrastructure
- Stable geo-political environment

Local capability and capacity

- A source of committed employees
- Established supply chain partnerships

Sustainable development goals

Sustainable communities

Realising the commercial and environmentally sustainable development of critical raw materials

Industry innovation and infrastructure

Driving highly technical and remunerated roles and skills development for local workforce

Responsible consumption and development

Developing local renewable sources of energy as primary resource can minimise the carbon profile of the mine

Decent work and economic growth

Generating a significant increase in local tax revenues through royalties, concession fees, local employment and procurement

CEO Statement

Paul Cronin
Managing Director and Chief Executive Officer

I am immensely proud of the extraordinary effort and unwavering commitment to successfully deliver the Vareš Silver Project over the past twelve months.

It has been a pivotal year for Adriatic, which has now successfully transitioned from a developer to a mining company. The significant milestones in the year have been first ore mined in July 2023 and first concentrate production in February 2024. This achievement is a true testament to the dedication and capability of our exceptional team. Their hard work and determination, in the face of significant challenges, have played a pivotal role in this transformative journey, positioning Adriatic as a dynamic force in the burgeoning European mining sector.

Another outstanding achievement in 2023 was the significant increase to the Life of Mine (LOM) of the Vareš Project, with updated Ore Reserves at our flagship Rupice mine increasing by 89%. This considerable uplift confirms our belief that the Rupice deposit is today a Tier 1 asset, with significant further upside as we continue to drill out this large high-grade deposit. This extension of LOM until 2041 is a significant step forward for Adriatic as we aim to maximise the value of our flagship asset for all our stakeholders. I am excited about 2024 as Adriatic will commence the delivery of critical metals to mainland Europe.

MARKET

Despite volatile financial markets and uncertain economic conditions, Adriatic has continued to demonstrate its strategic importance in the European market. In 2023, the global economy remained under extreme pressure from geopolitical instability and supply chain disruptions, driving further deglobalisation and resource fragility. Concerns about resource scarcity is now at the top of the agendas of both EU and other western economies. This has been demonstrated by a strategic focus of sourcing metals and other key raw materials from within European borders to improve self-sufficiency in fuelling the energy transition and to meet 2030 and 2050 carbon-reduction targets.

The focus on mining in Europe was accelerated by the publishing of the European Critical Minerals Act in March 2023, which sets strict targets for the exploitation, refinement, recycling and stockpiling of specific strategic and critical raw materials. Our offtakers and customers recognise that Europe will need to source more of its raw materials from within the continent and from responsible and transparent suppliers. As Adriatic moves into production in 2024, the Company is well positioned to take advantage of this shift in European mining strategy, which strengthens our longer-term objective to evolve into a European-focused, multi-asset, mid-tier diversified miner.

Once in production, the Vareš Project will be producing both a silver lead concentrate and a zinc concentrate. With advancements in high-velocity electric vehicle charging, the industrial demand for silver in Europe is set to soar. Silver is one of the most conductive metals and highly malleable and it holds the key to the automotive electrification transition. Zinc is mainly used as a protective coating for other metals, such as steel and iron, to prevent corrosion and will therefore play a crucial role in green technologies such as zinc coatings to prevent solar panels and wind turbines from rusting. These are both strategic raw materials of great importance for the green transition and new technologies thus positioning Adriatic as a key player in the international market for these critical metals.

PROJECT DEVELOPMENT

Our team on the ground has made significant operational strides towards advancing the Vareš Project's development in Bosnia and Herzegovina. A moment of pride for me personally was the initiation of ore mining at the Rupice mine in July 2023. The ongoing enhancements in the underground development underscore the unrelenting efforts by our talented mining team. The implementation of an accelerated development improvement plan has yielded substantial increases in productivity and continues to deliver positive results. Due to challenging ground conditions, additional underground support is required in the development drives at Rupice to ensure the safety of our employees. Therefore, the ramp-up to nameplate capacity is taking a few months longer than expected and will be reached in Q4 2024. Our considered progress stands as a testament to our commitment to safe working conditions and longevity and guarantees a promising future ahead for the Project.

Furthermore, I am pleased to announce the completion of the Vareš Processing Plant construction over the course of the year. While challenges such as delays in electrical connection and equipment delivery extended the commissioning timeline beyond initial projections, I am delighted to report that all crucial equipment is now on-site, installed, and the commissioning process complete. First concentrate production took place on 27 February 2024 and we look forward to generating positive cashflows in the second half of the year. All project infrastructure has been completed and is ready for operations. The 24.5km road has been fully constructed and is now being used to transport ore, equipment and workers. In December 2023, the refurbished railway line was successfully reopened, with the first train using the track for the first time in 30 years. The occasion was marked by a launch event on 14 December 2023, which was attended by numerous local politicians and dignitaries. The reopening of the railway is of significant importance to the town of Vareš, connecting it to the regions of Ilijaš, Breza, and beyond. The reopening of the railway line creates new employment opportunities and economic growth in the region and represents the modernisation and improvement of infrastructure in Bosnia.

There was a day of celebration on 5 March 2024, as the Company commemorated the Grand Opening of the Vareš Project in Bosnia and Herzegovina. The official opening event took place at the Vareš Processing Plant and was attended by Nermin Nikšić, Prime Minister of the Federation of Bosnia and Herzegovina, Zdravko Marošević, Mayor of Vareš and other key dignitaries. This was followed by a community event 'Vareš Fest' that was held in the local town square to mark the momentous occasion. Adriatic management and employees, key suppliers and the local community came together to enjoy an afternoon of traditional music, culture and other festivities.

The progress we have made has been remarkable and stands as a testament to the dedication and proficiency of our management and staff at the Vareš Project. The team has demonstrated their resilience in overcoming challenges as well as their experience and capability and we are now on the threshold of first commercial concentrate production.

FINANCES

Undoubtedly, an uncertain economic outlook, inflation, increasing interest rates, and disrupted supply chains have placed increased pressure on Company finances over the last year. However, I have been very impressed at how deftly we have managed our budgets, and the Project cost budget has only increased slightly to US$188.9m. Our disciplined approach and careful management of outflows has been crucial in this rising-cost environment. Our entrepreneurial approach has also been key in sourcing critical long lead-time items.

One advantage of the Vareš Project is its strategic proximity to supportive infrastructure. Through diligent cost management across various stages, we have successfully secured locally sourced materials such as concrete, steel, and other essential components. Additionally, Bosnia and Herzegovina enjoys the benefit of having one of the lowest national power costs on a global scale. This favourable combination of accessible infrastructure and cost-effective sourcing contributes significantly to the Project's overall efficiency and economic viability and positions the Company as one of the lowest cost silver producers globally.

Throughout 2023 we have worked closely with our financier Orion Mine Finance ("Orion") and we would like to thank them for their unwavering support. To date, Adriatic has successfully drawn down the $120m of senior secured debt from Orion, as well as the $22.5m copper stream deposit. We have also agreed with Orion to commence our debt repayments in December 2024, six months later then envisaged. In August we raised $32m in an oversubscribed equity raise to primarily accelerate and expand our exciting exploration programme. We were pleased to have the ability to execute the transaction at such a tight discount to the market and warmly welcome our new shareholders from Australia, Europe and the US.

As we draw near to the anticipated generation of free cash flows from the Project in 2024, we envisage a significant reduction in the discount between Adriatic's share price and its net present value. This impending shift is indicative of the Project's maturation and reduced risk profile and underscores our confidence in future financial prospects.

SUSTAINABILITY

Sustainability is a core component of our business model and our responsible business initiatives continue to adapt alongside our operational development. Our primary commitment is in maintaining the health and safety of our employees and contractors, protecting and preserving the natural environment, and adopting sustainable resource practices. Our dedication to environmental responsibility is evident through continual environmental and social assessments. These studies are integrated into our mine development plans and operational activities and are stringently overseen by senior management.
To uphold our duty of care towards the environment, we have implemented robust and continual monitoring provision. Furthermore, our commitment extends to continual improvement, reflecting our proactive stance in evolving environmental stewardship practices.

A priority for us throughout 2023 has been the maturation of our Health & Safety Management System. As the complexity of our Project has increased during the construction phase, the focus has been on achieving a zero-harm outcome and ensuring the safety of all our employees and contractors. Our comprehensive health and safety framework encompasses meticulously crafted policies, procedures, training modules, and company standards that surpass regulatory compliance, underscoring our dedication to maintaining the highest standards in occupational health and safety. Accordingly, we saw a significant improvement in our total recordable incident frequency rate ("TRIFR") for 2023 standing at 1.40 as well as zero work-related fatal incidents.

Furthermore, we have continued our commitment to responsible stewardship and embedding sustainable practices into all our activities through our Environmental and Social Management System. Whilst the construction of the mining operation has involved planned environmental impacts, we carry out continual inspections and tests, that include soil and water monitoring. Adriatic also has a clear strategy for the management of natural resources, waste processing, including tailings management, and biodiversity regeneration. Working with and for the community, we understand the role that preservation plays in maintaining our social licence to operate.

In conjunction with stakeholder expectation, Adriatic unveiled its inaugural Sustainability Report in April. The report outlines the Company's ethical business commitments and discusses key aspects of non-financial performance. After its release, we engaged with stakeholders to deliberate its materiality and transparency, and the report has been well-received for a company at this stage of its developmental cycle. Nevertheless, Adriatic is cognisant that its social and environmental footprint is evolving swiftly, and the breadth and scope of sustainability measures will expand in impact and significance in the coming months and years – especially given the evolution of European sustainability reporting regulation. We will persist in refining and advancing our sustainability commitments as we gain a better understanding of our product lifecycle and assess our resource management and processing efficiency post-commissioning.

Our intention is to deliver Europe's most modern and environmentally sustainable mine, and Adriatic remains fully committed to its immediate and long-term social obligations. The execution of the Vareš Project will accomplish one of the fastest rates of development for any junior mining company. This achievement is due in great part to the support we have enjoyed from our local stakeholders and the Government and Ministries in Bosnia and Herzegovina. In 2023 this was reflected in the Vareš Project being awarded the status of Project of Special Importance by the State of Bosnia and Herzegovina.

EMPLOYEES

In 2023 we have hired a significant number of new staff and our headcount increased significantly to 296 direct employees and 329 contractors, as of 31 December 2023. To take us through the next few critical months and into production, we made some specialist appointments in exploration, mining operations, mine geology, metallurgical processing and engineering. Key appointments include Matthew Hine as Chief Operating Officer, Sanette Harley as General Manager - People, Ben Huxtable as General Manager – Risk and Assurance and Alex Budden as Chief Sustainability Officer.

The composition of the Vareš Project workforce reflects our deliberate strategic choice to engage young graduates and equip them with the necessary skillsets. With an average employee age of approximately 27 years old, our commitment to high-quality operations necessitates substantial vocational education programs. We firmly believe in providing every member of our staff with job security and making professional development a cornerstone commitment to developing their future careers. We also continue to make progress towards our gender diversity targets, reaching a key milestone of 27% female staff in 2023.

Our comprehensive training initiatives cover a spectrum of skills, including English language proficiency, driving skills, safe working practices, higher education opportunities, environmental and social principles, and personalized development plans. We uphold a commitment to fair remuneration and extend various benefits, such as private healthcare for our employees and their families.

To ensure ongoing improvement, our Employee Engagement Survey, launched last year, serves as a valuable tool for continually assessing our cultural performance. It enables us to identify areas where work can be more fulfilling, fostering a sense of engagement that ultimately contributes to greater productivity across the board.

STAKEHOLDERS

The Vareš Project will not only be Europe's next operating mine, but it will be one of the first new mining projects to be built in Bosnia and Herzegovina for more than a generation. This achievement is due in great part to the unwavering support we have enjoyed from the Government and Ministries in Bosnia and Herzegovina. I would like to express my appreciation to all our stakeholders including the Government of Bosnia and Herzegovina, our financiers, our shareholders and the local communities within which we operate. Without their endless encouragement, partnership and support this Project would not have been possible.

Over the past year, the Project has garnered understandable interest from various stakeholders. I personally recognise how imperative it is to have clear and transparent engagement with all our stakeholders, to ensure the continued understanding of our business. We are constantly communicating with our external partners, especially those in the local community. Our Information Centre in Vareš continues to provide regular updates on our operational activity to local residents and businesses and our sustainability team have spent hours liaising closely with the local community on any concerns they may have and working to address these in a transparent way. In addition, Adriatic's leadership has worked tirelessly to ensure that the local municipality and key authorities are fully informed of developments on the ground at Vareš, whom have also been hugely supportive on our journey to success.

We are also increasing our marketing activities and investor relations through participating in numerous roadshows and conferences. In 2023, we hosted over 15 site visits for analysts, investors and advisors to see the Project for themselves. We believe such engagement is essential for external stakeholders to have an accurate perception of our strategic delivery, operational progress and future prospects.

OUTLOOK

As Adriatic delivers on its first phase of its strategy by reaching sustainable and growing cashflows from production from the Vareš Project, we look ahead to executing the second phase of our growth plans by adding to the LOM, and methodically exploring our highly prospective exploration licences. The Company has clear aspirations to be a leading multi-asset, pan-European operator with a focus on projects that align with our strong sustainability principles. We aim to expand our pipeline of projects through opportunistic acquisitions of assets that will create significant shared value.

I would like to extend my gratitude to all our employees for their energy, hard work and perseverance throughout the year. I would also like to thank the Board and our advisors for their counsel and guidance and, most importantly, my thanks to all our local partners for their hospitality and continued support. We have commenced the year with confidence and excitement, and we look forward to delivering on these expectations and unlocking further value through our exciting exploration programme and growth strategy.

Paul Cronin
Managing Director and
Chief Executive Officer

Strategy

Focus on project execution

Target Area

Growth & Profitability	Operational Discipline	People	Sustainability

Target

Growth & Profitability

1. Exploration Growth and Return on Investment (ROI)
2. Growth in Development Asset Pipeline
3. Effective Capital Management
4. Cost of Capital
5. Develop medium term profitability growth via acquisitions of development stage or producing projects

Operational Discipline

1. Effective Management of Project Cost
2. Operational Effectiveness - Production Ramp Up
3. Operational Effectiveness - Underground Development
4. Operational Effectiveness - Plant Performance

People

1. Increase Staff Engagement
2. Diversity
3. Maximise Staff Retention
4. Cultural Awareness

Sustainability

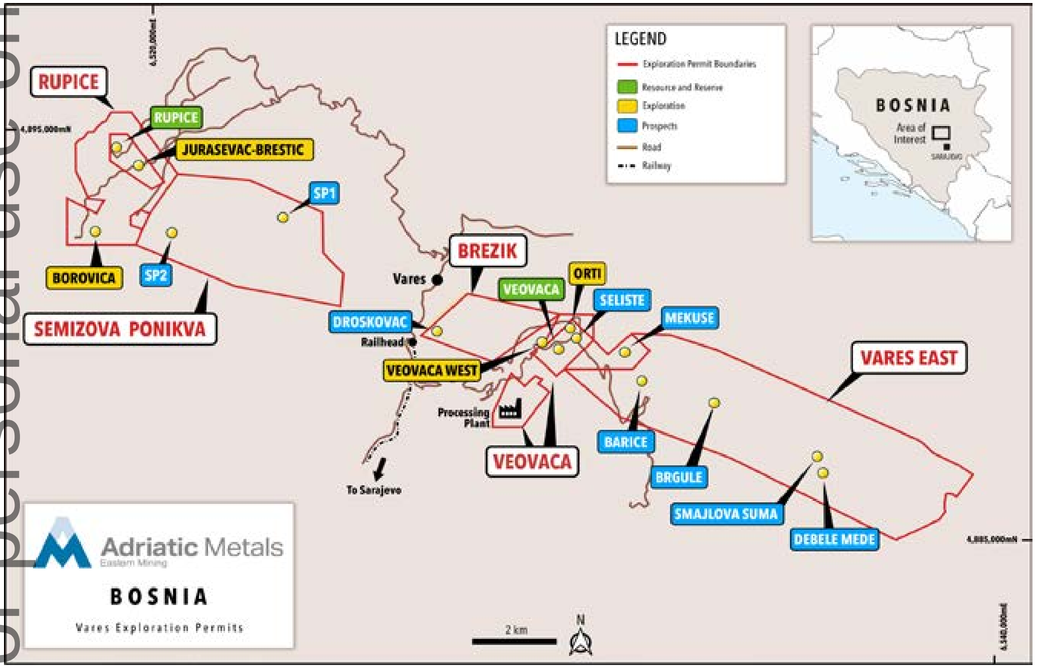
1. Occupational Health & Safety
2. Minimise frequency and impact of Environmental Incidents
3. Contractor Management Plan Implementation
4. Increase Stakeholder Perceptions of Company in Local Community

Operations Review

THE VAREŠ PROJECT, BOSNIA AND HERZEGOVINA

The Company's flagship Vareš Project is located approximately 50km north of Sarajevo, in the district of Vareš.

Adriatic Metals, owns 100% of the $44km^2$ Vareš Project concession. The concession area includes the mineralisation included in the Mineral Resource Estimates of Rupice and Veovača, as well as a number of prospects and exploration targets as outlined in the map below:



The concession area expires in 2038, but can be extended for a further 10 years upon written request. The Company received the exploitation permit from the Federal Ministry for Energy, Mining and Industry for Veovača (which includes the Vareš Processing Plant site) and Rupice on 28 January 2021 and 19 July 2021, respectively. The receipt of the Veovača exploitation permit initiates the formal exploitation period for the Project, which under the terms of the concession agreement is up to 30 years. The Rupice exploitation permit was the last remaining permit required for the commencement of construction.

Adriatic has been conducting exploration activities since 2017, and successfully delineated a maiden Mineral Resource Estimate at Rupice in July 2019 and an updated Mineral Resource Estimate was subsequently announced in September 2020. In June 2021 exploration permits were granted for an additional $32km^2$ of concession area, which covered the new areas of Semizova-Ponikva, Brezik and Vareš East, alongside the Rupice Northwest extension. In 2021 and 2022 there was significant exploration drilling took place over Rupice Northwest where additional high-grade resources were discovered. In December 2023, Adriatic announced updated Reserves on Rupice and Rupice Northwest, which increased the total to 13.8Mt at 187g/t Ag, 5.2% Zn, 3.3% Pb, 1.4g/t Au, 0.5% Cu and 0.2% Sb. The significant increase in ore reserves underpins an 18-year mine life which now extends until 2041 based on nominal throughput capacity of 800,000tpa.

Mining development at Rupice is progressing well, with first ore mined in July 2023 and construction at the Vareš Processing Plant completed, with first concentrate produced on 27 February 2024. The road, mine site infrastructure and additional infrastructure at the railhead and port were completed in Q4 2023. At the end of 2023, staff headcount totalled 296 and contractor headcount totalled 329. The final Project cost estimate is $188.9m and Adriatic remains fully funded for plant completion and ramp up.

In 2023, Adriatic received confirmation from the Government of Bosnia and Herzegovina that the Vareš Project has been granted the status of Project of Special Importance. This acknowledgement validates the significance of the Project to the country in terms of its contribution to GDP, FDI, employment and education. This important recognition of the economic impact of the Project will ensure that state institutions will prioritise their support to the successful realisation of the Project; accelerating procedural timelines and, where applicable, allocating additional resources and capital.

VAREŠ PROJECT: KEY METRICS

The results from the 2021 Definitive Feasibility Study indicated high-margin economics, a low up-front capital expenditure and the following characteristics:

High-grade mineral resources with strong potential for exploration upside

The polymetallic underground deposit of Rupice has high grades of silver and zinc, with lead, copper and gold credits. The style of mineralisation has the strong potential to repeat along strike, as well as extend at depth. This suggests further such discoveries will occur across the concession area.

Marketable concentrate grades

The Vareš Project has two commercial product streams; a zinc concentrate and a silver-lead concentrate. The Company has agreed offtake contracts with four international commodities trading and smelting companies for the purchase of concentrate production from the Vareš Project. The offtakers have been allocated 82% of the total projected concentrate production over the first 24 months. The remaining 18% of concentrate production has been intentionally reserved either for advantageous spot market sales or additional long term offtake agreements.

Existing infrastructure in a historical mining district

The nearby town of Vareš is located between the Rupice deposit to the northwest and the proposed site of the Vareš Processing Plant to the southeast. The town has a long history of mining. State-owned iron ore mining operations and associated steelworks operated there from the 1890s until the late 1980s. It is as a result of this that there remains existing road, rail, water and power infrastructure.

Brownfield processing plant site, Greenfield underground mine

The new Vareš Processing Plant has utilised the site of an abandoned processing facility, last used in the late 1980s. The abandoned site, circa 4km from the town of Vareš, has been demolished and a new facility constructed alongside the refurbished administrative building that serves as the Company's main office. The Rupice deposit is a greenfield site located 11km from the Vareš Processing Plant site.

Mining

Ore Reserve

13.8Mt at 187g/t Ag, 5.2% Zn, 3.3% Pb, 1.4g/t Au, 0.5% Cu and 0.2% Sb

Mining Rate

800,000 tonnes / year

Life of Mine

18 years

Mining Method

Transverse Longhole Open Stoping and Longitudinal Longhole Open Stoping

Operations

Contractor Mining

Infrastructure

Roads

24.5km of road has been constructed by the Vareš Municipality with funding and oversight of construction provided by Adriatic

Tailings Storage Facility

Dry stacked filtered tailings adjacent to the Vareš Processing Plant

Water

Existing reticulated supply to Vareš Processing Plant, plus supply from a nearby stream that used to supply Vareš town to Rupice Surface Infrastructure

Power

Rupice Surface Infrastructure:
6.5 MW average load to be provided by JP Elektroprivreda BiH, plus a 1 MW emergency diesel generator.

Vareš Processing Plant: 10.0 MW average load to be provided by JP Elektroprivreda BiH

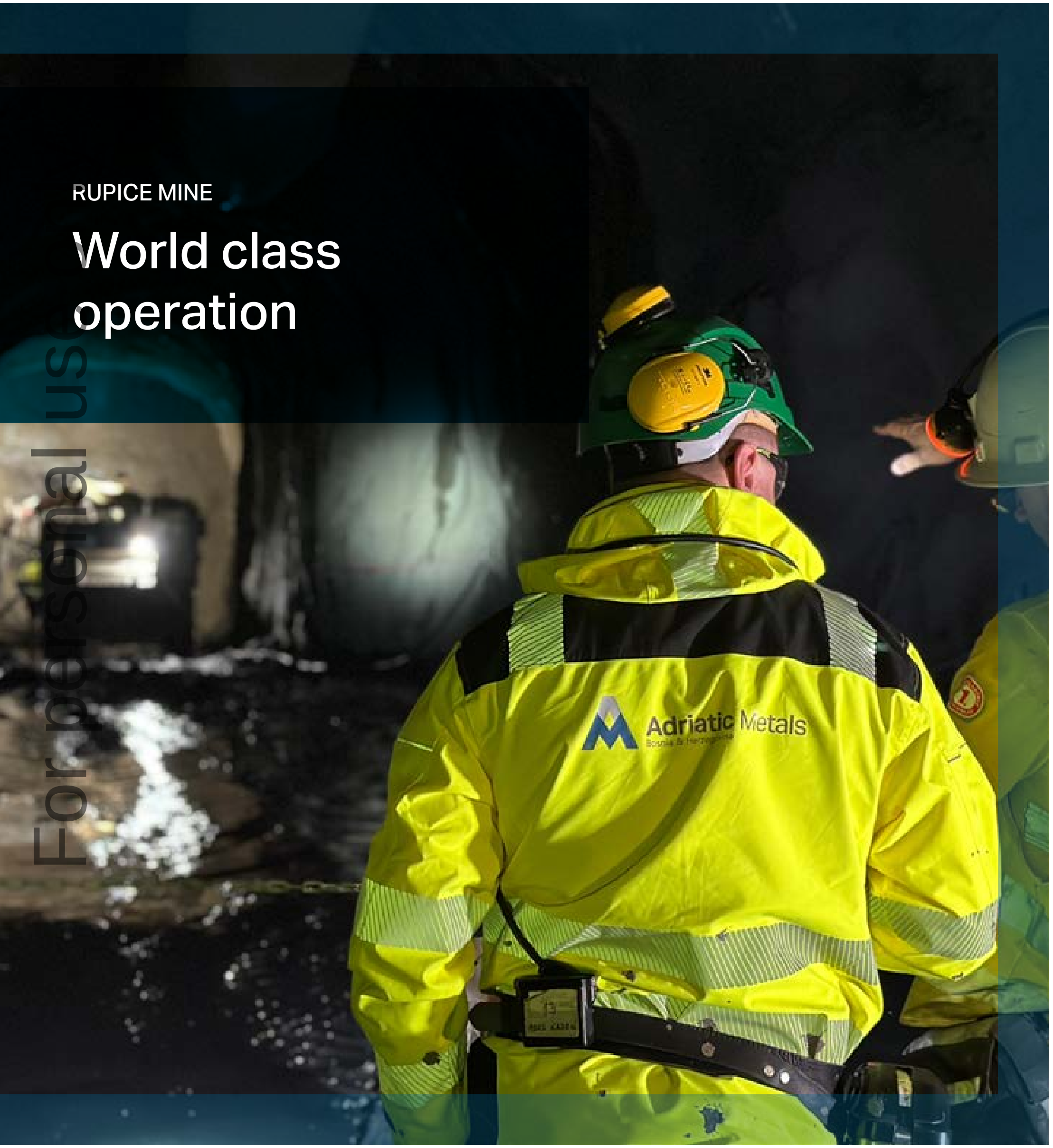
Marketing & Logistics

Logistics

Containerised rail transport from Vareš to the Port of Ploče and sea freight to end user

RUPICE MINE

World class operation



Rupice Underground Mine

MINE DESIGN

The Rupice Underground Mine design indicates the location of the planned declines, ramps, levels and stopes at Rupice. The primary access to the underground workings will be via two separate declines, developed from the surface.

Following the installation of appropriate portal support systems, the declines have been developed with dimensions of 5.5m wide x 5.5m high. The lower decline will serve as the main egress route for exhaust while the upper decline will serve as the main ingress, insuring hauling is conducted in fresh air. The remaining ramps going up and down from the different underground access positions are all developed at the 1:7 inclination. All decline ramps have been positioned to minimise the development required to access the initial high-grade stoping areas and to provide the shortest distances to the centre of mass, of each of the major stoping areas.

Secondary development will consist of level access drives that connect the ramps with the footwall drives on each sub-level. The footwall drives are designed with a minimum stand-off of 25m from the orebody and will have dimensions of 5.0m wide x 5.0m high. The transverse stopes will be accessed along horizontal cross-cut drives leading from the footwall drive at dimensions of 5.0m wide x 5.0m high and developed at right angles to the strike of the deposit.

MINING PRODUCTION RATE

The Rupice Underground Mine production rate is designed to match the nameplate capacity of the Vareš Processing Plant at a nominal 800,000 tonnes per annum.

MINING METHOD

Access to the underground workings will be via two declines developed from the surface, accessing the orebody via further development of ramps, level access drives and footwall drives. All the development access will be suitable for trackless equipment.

The underground stoping will be divided into two main mining method zones, as follows, and as shown in the mine plan in the Rupice Underground Mine design:

1. **Transverse Longhole Open Stoping zone ("TLOS")**
2. **Longitudinal Longhole Open Stoping zone ("LLOS")**

The TLOS zone will be below the 1,075m height above mean sea level ("AMSL") and the LLOS zone will be from and above the 1,075m AMSL.

TLOS will be used in areas where the ore zone thickness is greater than 20m. Stopes will be oriented in a transverse fashion with stope access drives orientated from the footwall towards the hanging wall, perpendicular to the general orebody strike.

LLOS will be used in areas where the ore zone thickness is less than 20m. Stopes will be oriented in a longitudinal fashion along a strike drive.

Primary stopes represent the initial phase of production mining within the TLOS section of the mine. Primary stopes are mined in a retreating echelon fashion on each level, with temporary pillars left between the primary stopes. The primary stopes are then backfilled with either Cemented Aggregate Fill or Paste Aggregate Fill, or a combination of both. Once the fill has cured, the temporary pillars between the primary stopes can then be mined out. These pillars are known as secondary stopes.

BLENDING

Blending will be critical to optimising concentrate grades. By opening multiple stopes of varying grade underground, minimal blending on the run-of-mine ("ROM") stockpile will be required. Blending exercises have been completed on the current mine plan proving the ability to blend through stope sequencing.

The ore will be recovered from the ROM stockpiles by front-end loader, which will discharge into the primary crusher so that final blending effectively takes place in the crushing plant at Rupice. The crushed ore is deposited onto a stockpile before being reloaded onto on-highway trucks for haulage to the Vareš Processing Plant.

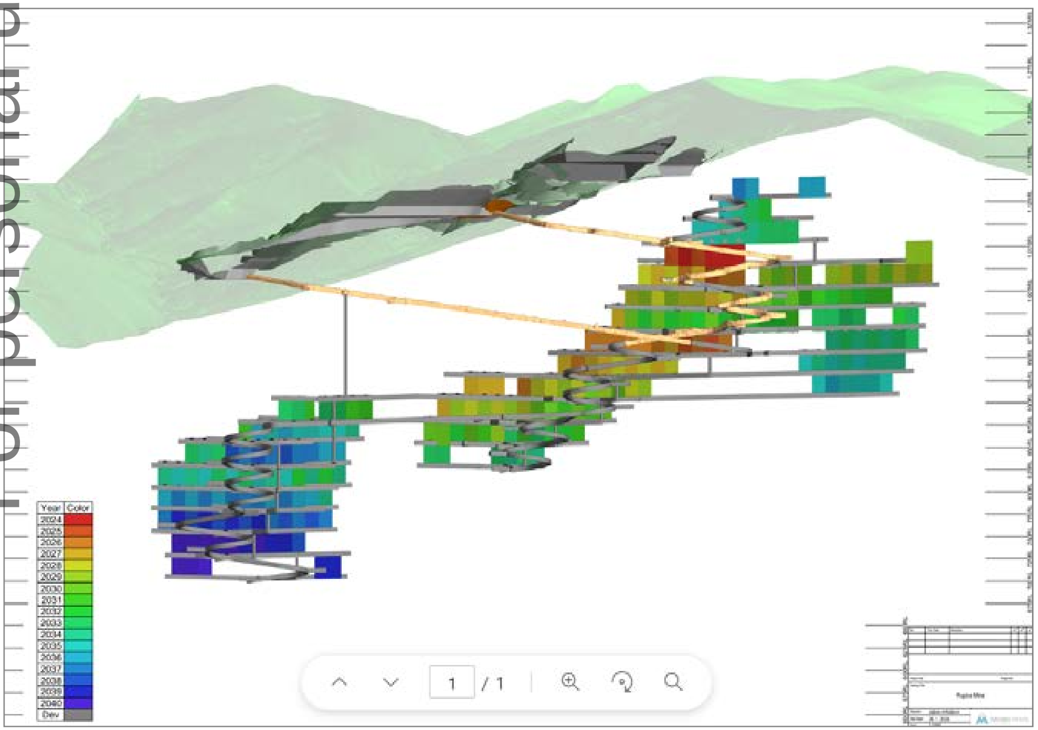


Figure 1: Rupice Mine Long Section FW

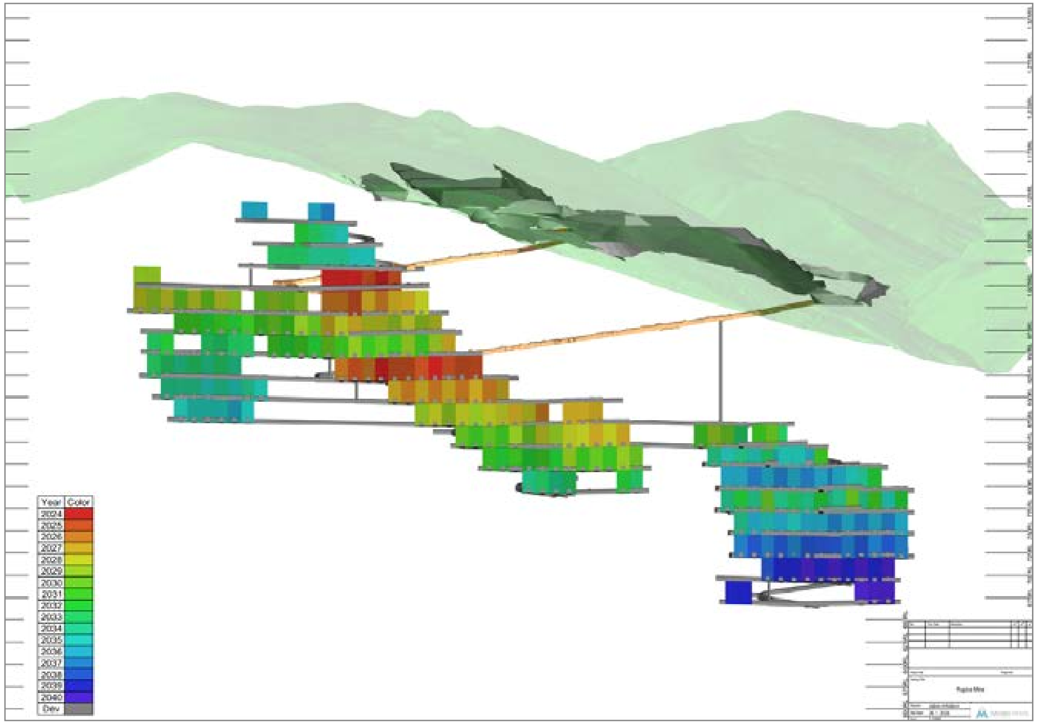


Figure 2: Rupice Mine Long Section HW

RUPICE MINE – DEVELOPMENT THROUGHOUT 2023

Rupice Underground Mine and Infrastructure

Throughout 2023, the development rate to date has averaged approximately 127m per month. This has been due a significant majority of the decline development being in geo-technical category 4 ground, requiring time consuming ground support implementation. In June 2023, due to the difficult ground conditions, an accelerated development improvement plan was put in place. Subsequently H2 2023 monthly development meters increased 62% compared to H1 2023.

Key actions in the accelerated development improvement plan included;

- The adoption of high-productivity development methodology – a regional first with a single development drill completing ground support, scaling and boring of a development cycle. The transition to a high-productivity development cycle utilising 2 units (jumbo) is underway, with a third jumbo arriving on site in March 2024.
- Fleet rationalisation and upgrades – two development drill upgrades were completed in 2023 and surplus equipment identification and demobilisation took place.
- People – key personnel experienced in high-productivity development were hired. 35 experienced operators with international experience in high-productivity development were onboarded in 2023. These key people are working in partnership with the mining contractor.
- Dewatering, electricity and shotcrete plant – some delays to surface infrastructure completion throughout 2023 impacted development cycles, this has now been resolved. The Water Treatment Plant ('WTP') has been commissioned, with continuous operations achieved the beginning of July. The WTP performance is in line with design, treating 240m^3/day and achieving targeted discharge quality. The development and commissioning of additional underground sumps and an upgrade to surface drainage controls were implemented. The lower and upper decline electrical substations have been installed and commissioned, providing a continuous electrical supply at Rupice. The shotcrete plant was constructed and commissioned in July.
- Improving ground conditions - throughout 2023 53% of development has been in ground classified as poor, therefore additional ground support has been required thus increasing cycle time. Ground conditions are expected to improve materially in the orebody where rockmass transitions to altered dolomite vs the current sediments.

The first ore drive at the 1075 level was turned out end of June and mineralisation intersected on 15 July 2023. Decline development and cycle times have improved since the accelerated development improvement plan was put in place end of June.

As of 31 December 2023, lower decline development had advanced a total of 1,182m and the upper decline 997m. There remains 110m of development prior to decline connection, which is scheduled for Q2 2024. This is on track to establish primary ventilation prior to commencement of stoping early Q3 2024. The primary fan is onsite, with lower portal bypass construction commencing in March 2024. Level development is progressing well on 1075, 1050, 975 and 950 production levels, providing multiple ore development fronts for plant commissioning and ramp up.

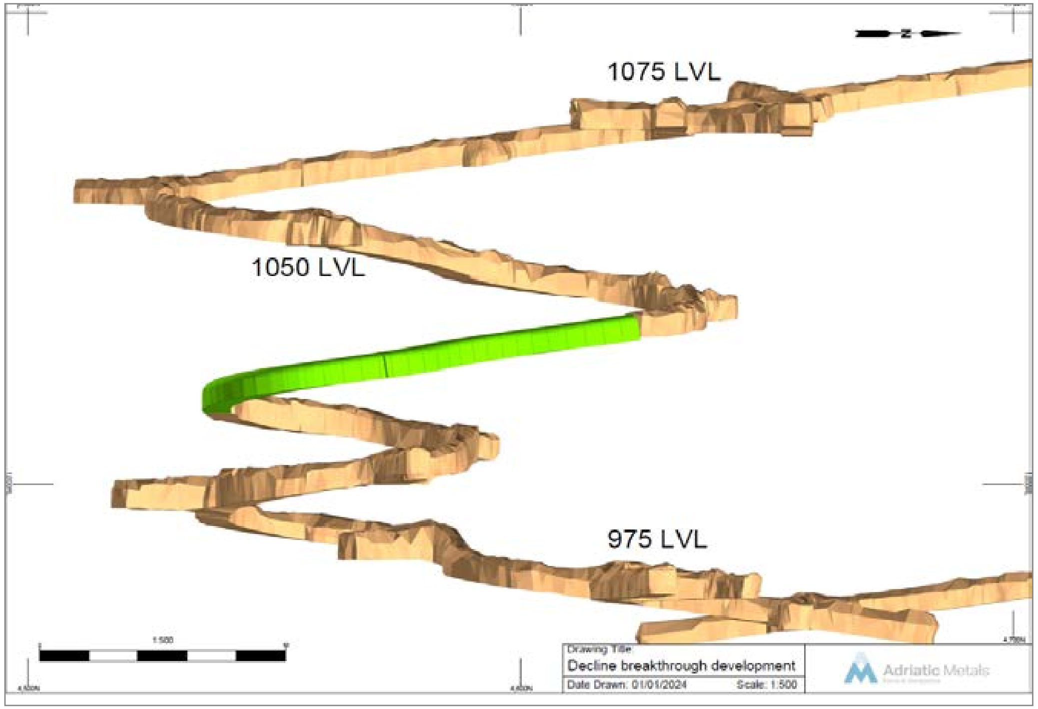


Figure 3: Decline Breakthrough Development

An achievable ramp-up profile at Rupice mine has been adopted targeting steady state production in Q4 2024. The anticipated ramp-up has been driven by:

- Underground Structural Geology – The planned 900m structural geotechnical drilling programme was completed during the fourth quarter , delineating the poor rock mass parallel to the orebody along-strike and down-dip. Following a technical workshop and completed studies, it has been established that there is a requirement for upgraded ground support standards to safely establish and maintain footwall infrastructure. The additional ground support improves ore drive access and derisk level production rates once stoping commences.
- Processing Plant Optimisation – The mine plan delivers life of mine average head grade throughout 2024 to ensure plant operating parameters and product specifications are achieved prior to delivery of high-grade feed the second half of 2024, 2025, 2026 and 2027 onwards. Upon sustaining nameplate parameters, the Company's strategy will be to maximise high NSR material in accordance with future metal price expectations.

Rupice Underground Mine and Infrastructure - continued

The grade control contractor has been mobilised with the drilling programme expected to identify opportunities for further optimisation of the mine plan and reduce development costs. Adriatic is in the process of conducting formal studies to confirm plant throughput can be increased to over 1Mtpa, to align with anticipated mine production.

Production Guidance 2024

On 24 January 2024, Adriatic announced its maiden production guidance for 2024, 2025 and 2026. The guidance for the 2024 ramp-up year and future life of mine averages are based on the recently updated Mine Plan incorporating updated mine designs and the latest cost information.

The guidance is based on the additional drilling, mineral resource estimation and advancing higher grade development at Rupice and RNW. Down blending of ore is planned during the initial months of plant feed from lower grade stockpiles to facilitate plant performance optimisation.

Maiden production guidance

	2024	2025	2026	2027-2040 (average)
Ore Mined (kt)	240-300	750-850	800-900	800-900
Zinc (%)	4.5-5.9	5.8-7.8	6.1-8.1	4.6-6.1
Silver (g/t)	261-348	259-345	211-281	160-214
Lead (%)	3.2-4.2	3.6-4.9	3.5-4.7	2.9-3.9
Copper (%)	0.5-0.6	0.5-0.7	0.5-0.7	0.4-0.5
Gold (g/t)	2.1-2.8	2.4-3.2	2.1-2.8	1.2-1.6

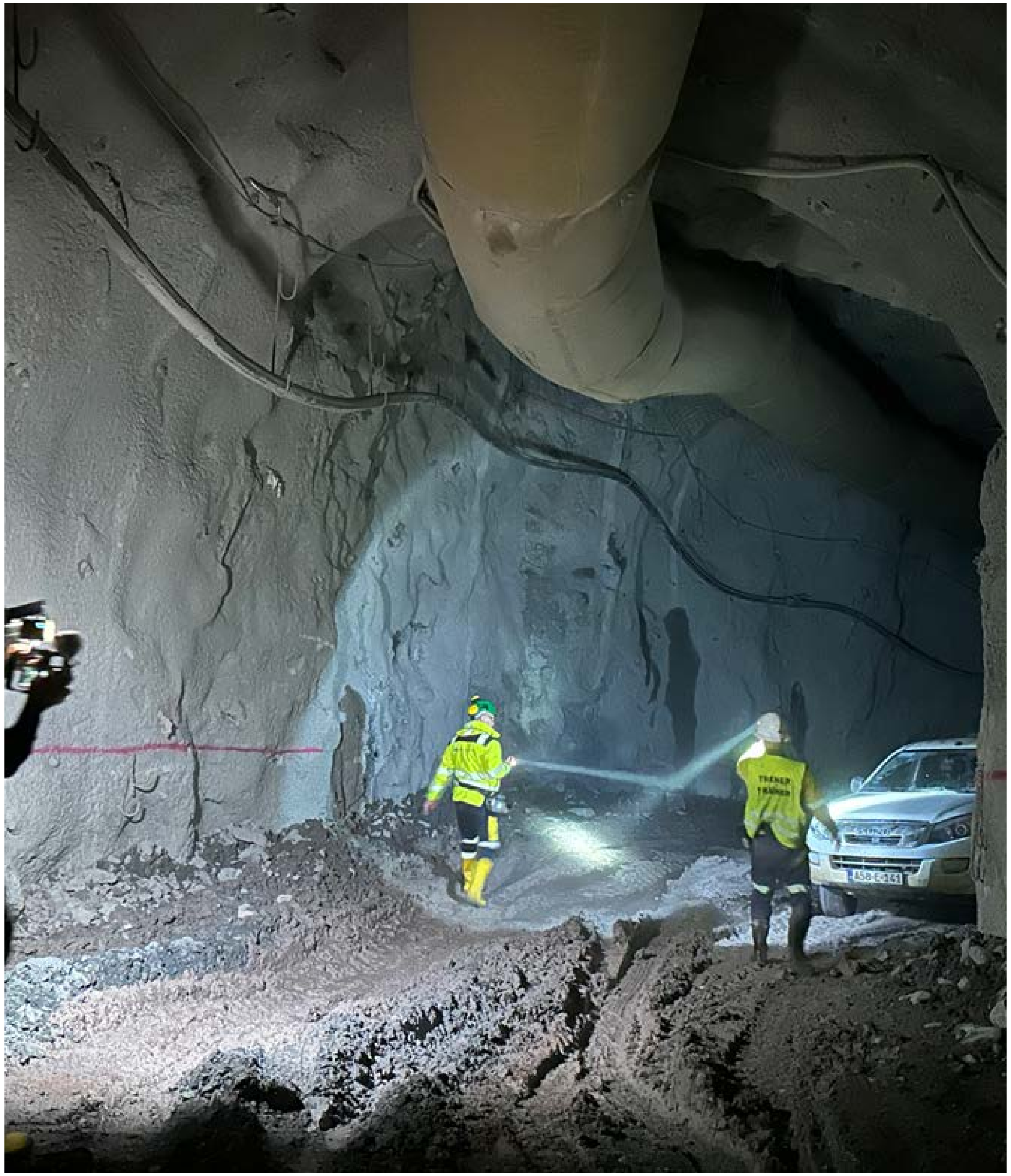
The primary crusher construction was completed at the end of 2023 and is currently being commissioned. For the backfill pad the forestry clearance commenced in November 2023 and was completed in February 2024 . Excavation work has also commenced.

Construction of the Rupice run-of-mine stockpile is 83% complete. The lower plateau excavation is complete with lining, multi-barrier and drainage work commenced. The upper level has lining, multibarrier and drainage work installed with material currently being stockpiled.

At the end of 2023, over 10,000 tonnes of material were stockpiled on surface and available for plant commissioning.

The Water Treatment Plant was constructed in 2023 and, at the end of the year, had processed a record 34,700m^3 of water, beating required specifications.

The 2,600m^3 settling pond was constructed and commissioned in 2023, with further improvements planned for the first half of 2024, including an active dewatering programme ahead of mine workings and water treatment plant upgrades.



VAREŠ PROCESSING PLANT

Modern, high-tech operation

Vareš Processing Plant

The Vareš Processing Plant is located on a brownfield site. The historic surface infrastructure has been demolished, except for the administration building, which has been refurbished and serves as the company site offices, and the historical thickeners, some of which have been repurposed for water storage and the coarse ore stockpile.

The remainder of the site has been levelled and a modern concentrator has been constructed using the latest in grinding, flotation and dewatering technologies.

Coarse ore is delivered from the three-stage crushing plant at Rupice to VPP via a fleet of tipper trucks. The trucks tip crushed ore into a hopper which feeds the coarse ore stockpile via conveyors, the coarse ore stockpile is enclosed under a dome and provides a live residence time of approx. 24 hours.

The coarse ore is reclaimed via belt feeders onto the ball mill feed conveyor. The ore is fed into the ball mill at a P80 size of 7mm. The 1.9MW ball mill operates in closed circuit with hydrocyclones to produce a flotation feed product size of 40 microns.

The flotation circuit operates as a conventional differential lead/zinc circuit where lead along with copper, silver and gold minerals are recovered first. The lead flotation circuit consists of rougher flotation followed by regrinding via stirred milling to a P80 size of 10 microns. Following the regrind stage a scalper flotation cell produces final lead product quality in a single stage. The scalper flotation tails then feed a conventional three-stage cleaner flotation circuit.

The lead flotation tails then feed into the zinc flotation circuit where copper sulphate is used to activate the zinc minerals prior to rougher flotation, minor amounts of silver and gold are also recovered in the zinc flotation circuit. The zinc rougher concentrate is reground using stirred milling to a P80 size of 20 microns. Again, a scalper flotation stage is employed post regrinding to produce a final zinc concentrate quality in a single flotation stage with the zinc scalper tails feeding a conventional three stage cleaner flotation circuit with scavenging on the cleaner tails stream.

The final lead and zinc concentrates are sent to high-rate thickeners and the water recovered from the thickeners is returned to the process water circuit. The thickened concentrates are then stored in concentrate stock tanks which feed separate horizontal plate pressure filters. These filters dry the final products to a moisture content of approximately 9% by weight. The dried concentrate is then loaded into containers to be delivered to the port of Ploče for sale.

The tailings from the flotation circuit are also sent to a high-rate thickener where water is also recovered to the process water circuit. The thickened tailings are stored in the tailings stock tank which feeds a vertical plate pressure filter. The tailings are also dried to a moisture content of approximately 9% by weight. The dried tailings are then either returned to the mine to be used as back fill or dry stacked in the tailings storage facility.

ROAD FROM RUPICE TO VAREŠ PROCESSING PLANT

Connecting our operations

Road from Rupice to Vareš Processing Plant

The road development that connects Rupice Underground Mine and the Vareš Processing Plant has been constructed and is ready for use ahead of first ore delivery requirements.

CONSTRUCTED ROAD

The 24.5km road has been built to transport crushed ore and dewatered tailings between the Rupice Surface Infrastructure and the Vareš Processing Plant, as well as transporting full and empty concentrate containers between the Vareš Processing Plant and the Vareš Railhead. It is also planned that shipments of reagents, consumables, spare parts etc. will be delivered in containers to the railhead for onward movement to Rupice Mine and Vareš Processing Plant using the road.

The road consists of sealed and unsealed sections, which by-pass villages and dwellings as well as the town of Vareš. The 24.5km road has been permitted, constructed and owned by the Municipality of Vareš, and Adriatic has provided the funding and oversight of its construction and will carry out ongoing maintenance during the life of mine.

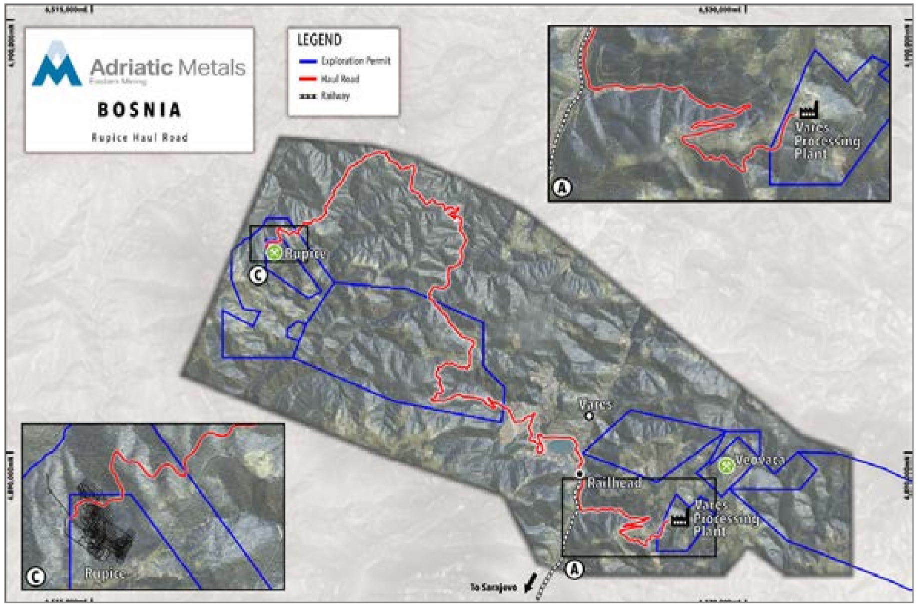


Figure 4: Map showing the road route between Rupice Underground Mine and the Vareš Processing Plant

HAULAGE AND ORE HANDLING

In 2023, the haulage and haul road maintenance contract was agreed with national provider, Almy Transport. Fifteen new haul trucks are onsite and commissioned, with all units fitted with fatigue detection, safety intelligent speed assistance (ISA), GPS tracking and dash cameras. All haulage movements will be digitally monitored and recorded, with the comprehensive tracking system allowing the management and mitigation of risks associated with road use and public interaction.

The concentrate handling agreement has also been secured with national provider, Logistic Agent. Four new 4x4 semi-trailer trucks together with four 20ft container semi-trailers are in place. These are all fitted with fatigue detection, safety ISA, GPS tracking and dash cameras. Two reach-stackers, located at the Vareš Processing Plant and railhead, are in place, assembled and ready for operations.

The construction of the new fuel station at Vareš has been completed and commissioned. Permitting is in progress, with the technical review by Vareš Municipality completed. The licensing for fuel storage, transport, and selling is underway and on track for completion in Q1 2024.

WATER SUPPLY

The 9km water supply pipeline to Rupice and the pump station at Mrestilište have been completed and tested. This will provide potable water to Rupice and a back-up supply for the industrial water requirements of the mine. The potable, industrial and fire hydrant water reticulation systems to the portals and infrastructure have been completed with the exception of the stockpile and backfill plant areas where earthworks is still being undertaken. Industrial water will normally be obtained from treated and re-circulated waste water or from pump-stations on two local streams.

The water supply to the Vareš Processing Plant area utilises the existing supply pipeline. Reticulation around the Plant site is complete.

ELECTRICITY

The Vareš Majdan – Rupice 35kV & communications cable installation is now complete and all permitting approvals from Elektroprivreda BiH, the utility company, and the Ministry have been received. The electricity connection at Rupice took place in November 2023 and connection to the Vareš Processing Plant in December 2023.

Infrastructure

RAIL

The concentrate will be transported from the railhead at Vareš Majdan to the main export terminal at Ploče in Croatia. The rail journey from the Vareš railhead to the Port of Ploče passes through three locations where locomotives will be changed according to the line requirements.

The first 25km section of the line from Vareš to Podlugovi uses diesel locomotives and was last used in 2012. This line has been refurbished (including 18 tunnels and 7 bridges) by AMBH and FBiH Railways and was officially opened on 14 December 2023. The refurbishment of the Vareš Majdan railhead and station was completed in February 2024.

The remaining journey to the Port of Ploče will be on electrified lines, alongside other regular freight traffic until final exchange at the Bosnian/Croatian border to the port's own diesel engines. The complete journey from the Vareš Majdan railhead to the Port of Ploče will take approximately 10 hours.

The official opening of the rail line from Vareš Majdan to Podlugovi on 14 December 2023, included a ceremony that was attended by leading local politicians, EBRD, ambassadors, press and key delegates. The local community joined in the event to celebrate this momentous occasion, marking the revival of the railway after a hiatus of more than three decades. The refurbishment of the railway line and railhead holds not only historical significance but also brings about enhanced logistics and connectivity for the region.

PORT

The Port of Ploče is located on the Croatian Adriatic coast, located near the mouth of the Neretva River. It has extensive railway sidings, dedicated road and rail access, modern security measures and provides full stevedoring services. It is a sheltered deep-water port, with a depth of up to 17.8m, allowing vessels as large as Capesize (100,000 dwt) to berth. The container terminal has a length of 280m and depth of 14m. The port operates 24/7, 362 days a year. All the main thoroughfares and terminals are floodlit and the port benefits from a large, well equipped, dedicated fire service.

Port of Ploče has been the recipient of recent funding from both EBRD and IFC. The funding provided an infrastructure upgrade, which included increasing the container terminal annual capacity to 60,000 Twenty-foot Equivalent Unit ("TEU"), with a new TEREX crane, Hyster reach stackers, as well as other new plant and vehicles.

The port's container terminal is operating at just under 50% of capacity of 60,000 TEU. In 2023, port container traffic was approximately 30,000 TEU, indicating that there is more than adequate capacity for the concentrates produced by the Vareš Processing Plant. At peak production, the Vareš Project will require approx. 7,520 TEU of capacity.

At Ploče Port the agreement for the handling of container cargo was signed in 2023. Refurbishment work at the port warehouse has been completed and is on track for first shipment of concentrate in 2024.

CONCENTRATE TRANSPORTATION

MARKETING

The Company has agreed offtake contracts with four international commodities trading and smelting companies ("Offtakers") for the purchase of concentrate production from the Vareš Project. The concentrates will be allocated to the Offtakers as follows:

- Zinc concentrate to Boliden AB, Trafigura Pte Ltd, Transamine SA; and
- Silver-lead concentrate to Glencore International AG and Transamine SA.

The Offtakers have been allocated 82% of the total projected concentrate production over the first 24 months. The remaining 18% of concentrate production has been intentionally reserved either for advantageous spot market sales or additional long term offtake agreements to be agreed at a later date.

Post-production working capital will benefit from favourable offtake terms, including the early issuance of provisional invoices for between 90% and 95% of concentrate value, the rights to export smaller lot sizes and to ship a proportion of initial zinc production by container.

EXPLORATION

Significant increase to Reserves

Exploration

EXPLORATION UPSIDE

In the Vareš region, significant new potential remains across greenfield, brownfield and advanced exploration targets. As part of a cohesive strategy, Adriatic is committed to advance exploration regionally to find the next economic deposit that will diversify the current production profile and capitalise on our existing extensive tenement holdings.

Exploration activity in 2024 will continue focus on extending and further converting to reserve previously drilled peripheral extensions of the Rupice Main orebody. Areas for extension and infill drilling across Rupice are to the north and south of areas to be mined in 2024. Infill drilling will be to a nominal 25-30m separation between wider-spaced holes. Drilling in 2023 highlighted these areas as having potential through being under-drilled and poorly understood geologically. The northern extension of Rupice is expected to narrow, increase in grade and precious metals, become more structurally controlled and tightly constrained. To the south, 2023 drilling has shown mineralization to be narrower, broadening, very continuous and open to extension.

2023 marked the first modern drilling across the Droškovac Fe-Ag-Pb-Zn-Sb deposit. A historic iron ore deposit with remaining non-JORC reserves of hematite, oligonite and sideritic iron ores. Base metal horizons peripheral to iron ores were known but not extracted. Drilling in Q3 and Q4 2023 started the process of testing areas of remaining iron ore, the positions of reported base metal zones and the validation of historic hand-drawn geological interpretations. Drilling confirmed areas of remaining iron ores and the existence of base and precious metal horizons having thicknesses of up to approximately15m. Of significance, both base metal and iron zones were equally enriched in silver as determined by pXRF. Assay results were not fully available and validated by end of Q4, 2023. Droškovac by end of 2023 had been validated as being an iron, base and precious metal multi-commodity project. Work in 2024 will focus on defining the size of the mineralized system; grade distribution and tenor for all mineralization domains; metallurgical characterization; construction of geological, structural and mineralization 3D models; identification of global and regionally equivalent styles of mineralization; as well as economic potential. Greenfield project advancement in 2024 is also scheduled for the Brezik prospect (historic iron ore open pit along strike of Droškovac underground mine) and the Vareš East tenement.

The area peripheral to the Brezik open pit and extending towards and parallel to Droškovac was found to be anomalously surface mineralized. The anomalism was defined by multiple surface geochemistry rock-chip and soil sampling programs and to be coincident with outcomes from a detailed 2023 ground gravity survey. Anomalism was both for base and precious metals. Initial results were originally considered potential surface contamination from the Brezik open pit operations. This was discounted with tighter infill sampling showing repeatability and continuity of anomalism. There was no historic underground mining beneath the area of anomalism. These results will be followed-up with diamond core drilling to define the source of the anomalism in 2024.

There was no exploration activity across the Vareš East property in 2023 other than completion of work to clear the area of potential land-mine threats. Sufficient areas have been cleared by the Bosnian Civil Protection Authority to allow surface exploration to commence in 2024 over an area of 5km x 2km. Surface geochemical sampling and trenching are planned. Scout drilling testing of the Barice and Brgule barite associated base metal prospects is also planned. Barice and Brgule are historic small-scale mines with little known history and no modern exploration coverage. The whole of the Vareš East prospect has not been tested by extensive or modern exploration methods.

The 2024 exploration program will move to implementing hyperspectral logging linked to AI processed spectral, lidar and lithogeochemical analysis. Establishment of an onsite microscope for metal speciation and quantification will allow grade control, processing and exploration samples to be rapidly reviewed for base and precious metals minerals. A merging of technologies to interpret faster bigger, more complex data sets to recognize and drive the discovery of new opportunities.

DRILLING & ASSAY

Drilling in 2023 was completed using four diamond drill rigs and crews provided by Drillex International. Holes were typically large diameter PQ size to a depth of ~100m through barren Jurassic sediments. The hole diameter was reduced to HQ size coring through Triassic sediments and mineralisation to the end of each hole. Holes varied in depth from 250m to 350m, depending on the depth to drill target. All holes were downhole surveyed using either a Reflex Gyro Sprint or a Reflex Gyro OMNI tool. For azimuth alignment, all holes were lined-up using a Reflex TN14 Gyrocompass. Core orientation was completed using both Reflex ACTIII and Axis technologies Champ-Ori tools.

Drill core was logged and processed at the Lipovici Exploration Coreshed in an outer suburb of Vareš. Core was sampled using Aan Almonte automatic core saw capable of processing 200m of core a day. During 2023 SGS (Ankara) was used as the primarily preparation and assay lab, maintaining sufficient turn-around-time, lower cost and reducing the number of laboratories required to process samples. Barium over-limit assays (>50% Ba) were sent to SGS Lakefield (Canada) for completion of assay.

Drilling in 2024 will continue with three to four diamond drill rigs using Drillex International and Colonnade Drilling Services. The principal sample preparation laboratory will remain at SGS in Turkey (Ankara) with QAQC umpire lab services contracted to ACME (Bureau Veritas) in Turkey (Ankara).

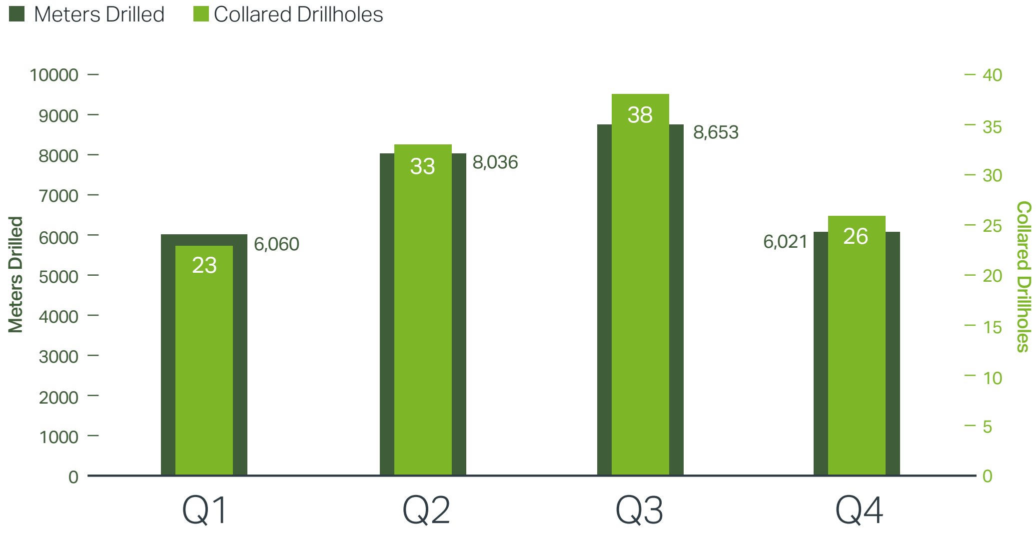
EXPLORATION AND MINERAL RESOURCE ESTIMATE (MRE) DRILLING

A total of 28,769.2m from 120 drill holes was completed in 2023. This total includes 26 abandoned holes.

Drilling was focused on defining the Rupice Northwest (RNW) deposit on a 40m section spacing, with holes on sections drilled as part of drill fans. Drill fans were designed to intersect mineralisation 25-30m apart. To minimise environmental impacts, fan drilling reduced the need for forest clearing, permitting and ground disturbance across difficult, mountainous, environmentally sensitive terrain. Additional scout drilling was conducted at Rupice West, Semizova Ponikva and Droškovac.

2023 Quarter	Collared Drillholes	Metres Drilled
1	23	6,060
2	33	8,036
3	38	8,653
4	26	6,021
Total	**120**	**28,770**

2023 Drilling Statistics



For the 2023 MRE for Rupice and RNW, a total of 287 diamond drill holes for a total of 76,935m define the current limits of the known mineralization. Up to mid-2022, the deposit was drilled and sampled using diamond drill holes on a nominal 20m by 20m spacing. From mid-2022 to May 2023, the drill hole spacing was widened to a 40m x 30m spacing across RNW reflecting the robust continuity of the stratabound mineralization along and across strike. Drilling has defined a combined Rupice and RNW mineralized system having a strike length of >900m and an across-strike width of >350m.

The RNW portion of the 2023 MRE includes a total of 80 diamond drill holes from the Company's drilling programmes in 2021 to May 2023 for 25,708m to define the current limits of the known RNW mineralization. Up to mid-2022, the deposit was drilled and sampled using diamond drill holes on a nominal spacing of 40m by 20m. From mid-2022 to the end of May 2023 the drill hole spacing was widened to a 40m by 30m spacing. The widening of the drill spacing was in response to the RNW deposit being spatially continuous over its >300m strike length and having a >260m across-strike width.

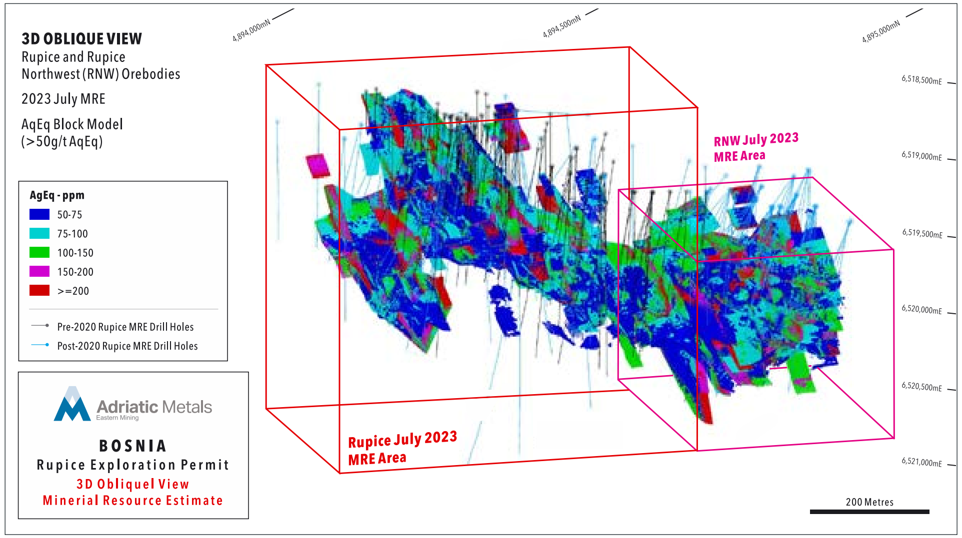


Figure 5: Isometric of the Rupice Block Model colored by AgEq Grade Ranges

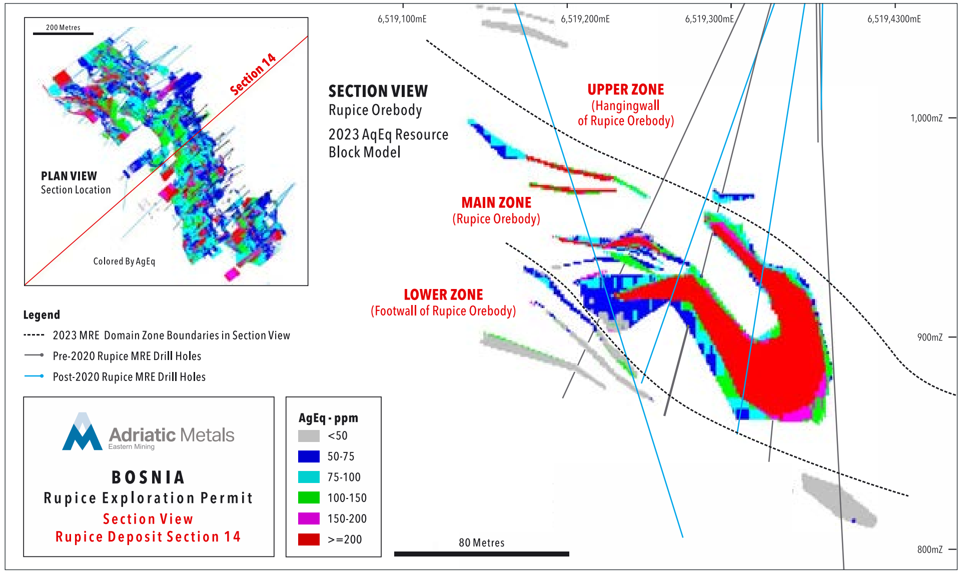
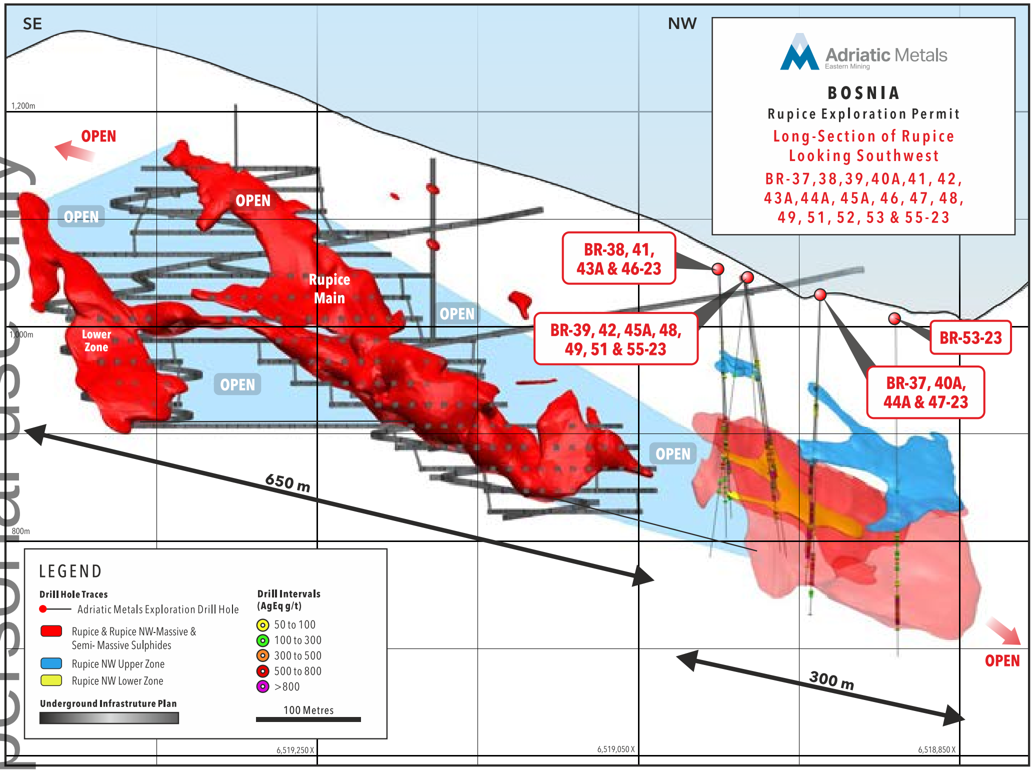


Figure 6: Cross Section Rupice 2023 Resource Block Model – Rupice Main, Upper and Lower Zones

Operations Review - Continued

Exploration - Continued



Long Section of Rupice and Rupice NW sulphide and semi-massive sulphide mineralisation to end of 2023. Significant assays reported as of 13 November 2023 highlighting mineral endowment of Rupice NW. Open LOM growth potential is highlighted in blue and to the Northwest and Southeast of existing drilled mineralisation.

BR-37-23 (RNW Upper Zone)
7.20m @ 191.5g/t AgEq, 6.15% ZnEq (70.1g/t Ag, 1.40% Zn, 0.71% Pb, 0.49g/t Au, 0.10% Cu, 8.7% $BaSO_4$ and 0.20% Sb) from 116.40m

BR-37-23 (RNW Main Zone)
25.20m @ 1,281.2g/t AgEq, 41.19% ZnEq (359.0g/t Ag, 14.41% Zn, 8.89% Pb, 2.75g/t Au, 1.77% Cu, 10.2% $BaSO_4$ and 0.14% Sb) from 217.90m

BR-37-23 (RNW Main Zone)
10.00m @ 819.1g/t AgEq, 26.33% ZnEq (309.2g/t Ag, 3.96% Zn, 4.87% Pb, 3.42g/t Au, 0.78% Cu, 6.0% $BaSO_4$ and 0.09% Sb) from 248.00m

BR-37-23 (RNW Lower Zone)
7.80m @ 843.9g/t AgEq, 27.13% ZnEq (316.8g/t Ag, 6.13% Zn, 4.88% Pb, 2.44g/t Au, 1.11% Cu, 3.6% $BaSO_4$ and 0.19% Sb) from 275.20m

BR-38-23 (RNW Main Zone)
11.90m @ 458.8g/t AgEq, 14.75% ZnEq (153.0g/t Ag, 4.21% Zn, 3.37% Pb, 0.86g/t Au, 0.45% Cu, 2.6% $BaSO_4$ and 0.38% Sb) from 153.80m

BR-38-23 (RNW Main Zone)
13.50m @ 1,040.1g/t AgEq, 33.45% ZnEq (622.6g/t Ag, 5.65% Zn, 3.89% Pb, 1.97g/t Au, 0.83% Cu, 6.5% $BaSO_4$ and 0.27% Sb) from 191.50m

BR-38-23 (RNW Lower Zone)
8.30m @ 1,625.5g/t AgEq, 52.26% ZnEq (479.0g/t Ag, 17.76% Zn, 11.11% Pb, 4.86g/t Au, 1.08% Cu, 3.7% $BaSO_4$ and 0.17% Sb) from 222.70m

BR-39-23 (RNW Main Zone)
12.70m @ 866.6g/t AgEq, 27.86% ZnEq (284.9g/t Ag, 8.39% Zn, 6.54% Pb, 2.26g/t Au, 0.63% Cu, <1.0% $BaSO_4$ and 0.25% Sb) from 164.00m

BR-39-23 (RNW Main Zone)
21.00m @ 84.5g/t AgEq, 2.71% ZnEq (32.6g/t Ag, 0.84% Zn, 0.62% Pb, 0.08g/t Au, 0.11% Cu, <1.0% $BaSO_4$ and 0.02% Sb) from 179.00m

BR-39-23 (RNW Lower Zone)
10.70m @ 387.1g/t AgEq, 12.44% ZnEq (111.8g/t Ag, 3.59% Zn, 4.53% Pb, 0.43g/t Au, 0.61% Cu, 1.90% $BaSO_4$ and 0.06% Sb) from 201.00m

BR-40A-23 (RNW Main Zone)
12.10m @ 171.2g/t AgEq, 5.50% ZnEq (79.1g/t Ag, 0.73% Zn, 1.00% Pb, 0.19g/t Au, 0.14% Cu, 7.0% $BaSO_4$ and 0.17% Sb) from 105.10m

BR-40A-23 (RNW Main Zone)
30.70m @ 908.1g/t AgEq, 29.23% ZnEq (294.0g/t Ag, 9.41% Zn, 6.33% Pb, 1.20g/t Au, 0.43% Cu, 68.2% $BaSO_4$ and 0.07% Sb) from 223.00m

BR-41-23 (RNW Main Zone)
17.20m @ 233.0g/t AgEq, 7.49% ZnEq (78.1g/t Ag, 1.32% Zn, 1.16% Pb, 0.43g/t Au, 0.59% Cu, 7.1% $BaSO_4$ and 0.17% Sb) from 154.50m

BR-42-23 (RNW Main Zone)
3.00m @ 348.0g/t AgEq,11.19% ZnEq (214.7g/t Ag, 1.17% Zn, 0.53% Pb, 0.24g/t Au, 0.75% Cu, <1.0% $BaSO_4$ and 0.50% Sb) from 111.30m

BR-42-23 (RNW Lower Zone)
4.60m @ 615.5g/t AgEq,19.79% ZnEq (198.0g/t Ag, 3.50% Zn, 2.52% Pb, 2.62g/t Au, 0.58% Cu, 28.8% $BaSO_4$ and 0.03% Sb) from 218.00m

BR-43A-23 (RNW Main Zone)
11.10m @ 359.5g/t AgEq, 11.56% ZnEq (207.2g/t Ag, 1.79% Zn, 1.46% Pb, 0.51g/t Au, 0.06% Cu, 5.4% $BaSO_4$ and 0.52% Sb) from 147.70m

BR-44A-23 (RNW Main Zone)
21.60m @ 934.5g/t AgEq, 30.04% ZnEq (194.6g/t Ag, 13.47% Zn, 6.56% Pb, 1.35g/t Au, 0.76% Cu, 45.7% $BaSO_4$ and 0.06% Sb) from 208.40m

BR-45A-23 (RNW Main Zone)
21.10m @ 466.2g/t AgEq, 14.99% ZnEq (204.1g/t Ag, 2.41% Zn, 2.17% Pb, 1.21g/t Au, 0.61% Cu, 9.2% $BaSO_4$ and 0.25% Sb) from 166.00m

BR-45A-23 (RNW Main Zone)
4.40m @ 502.8g/t AgEq, 16.16% ZnEq (125.9g/t Ag, 6.46% Zn, 4.03% Pb, 0.85g/t Au, 0.66% Cu, 1.3% $BaSO_4$ and 0.07% Sb) from 221.90m

BR-45A-23 (RNW Lower Zone)
6.50m @ 573.4g/t AgEq, 18.43% ZnEq (277.5g/t Ag, 2.71% Zn, 2.51% Pb, 1.45g/t Au, 0.82% Cu, 7.7% $BaSO_4$ and 0.18% Sb) from 235.50m

BR-46-23 (RNW Upper Zone)
9.30m @ 652.4g/t AgEq, 20.97% ZnEq (262.3g/t Ag, 4.14% Zn, 2.54% Pb, 0.70g/t Au, 0.56% Cu, 61.2% $BaSO_4$ and 0.66% Sb) from 123.70m

BR-47-23 (RNW Main Zone)
30.60m @ 843.1g/t AgEq, 27.11% ZnEq (306.7g/t Ag, 8.35% Zn, 5.18% Pb, 0.93g/t Au, 0.45% Cu, 66.3% $BaSO_4$ and 0.07% Sb) from 243.20m

BR-48-23 (RNW Main Zone)
4.60m @ 149.9g/t AgEq, 4.82% ZnEq (73.2g/t Ag, 0.40% Zn, 0.38% Pb, 0.29g/t Au, 0.24% Cu, 7.4% $BaSO_4$ and 0.17% Sb) from 80.20m

BR-48-23 (RNW Main Zone)
20.70m @ 848.9g/t AgEq, 27.29% ZnEq (195.6g/t Ag, 10.75% Zn, 6.70% Pb, 1.52g/t Au, 0.94% Cu, 21.7% $BaSO_4$ and 0.08% Sb) from 180.50m

BR-49-23 (RNW Main Zone)
6.30m @ 644.8g/t AgEq, 20.73% ZnEq (269.4g/t Ag, 2.71% Zn, 3.12% Pb, 2.23g/t Au, 0.28% Cu, 40.7% $BaSO_4$ and 0.08% Sb) from 200.90m

BR-53-23 (RNW Main Zone)
10.00m @ 82.9g/t AgEq, 2.66% ZnEq (37.7g/t Ag, 0.86% Zn, 0.36% Pb, 0.08g/t Ag, 0.07% Cu, 0.5% BaSO4, 0.05% Sb) from 211.00m

BR-53-23 (RNW Main Zone)
18.20m @ 143.2g/t AgEq, 4.60% ZnEq (77.1g/t Ag, 1.42% Zn, 0.39% Pb, <0.01g/t Au, <0.01% Cu, 8.5% $BaSO_4$ and 0.13% Sb) from 232.80m

BR-53-23 (RNW Main Zone)
6.00m @ 82.9g/t AgEq, 2.66% ZnEq (55.1g/t Ag, 0.79% Zn, 0.18% Pb, <0.01g/t Au, <0.01% Cu, 2.6% $BaSO_4$ and 0.02% Sb) from 261.00m

BR-53-23 (RNW Main Zone)
30.00m @ 921.0g/t AgEq, 29.61% ZnEq (346.3g/t Ag, 9.29% Zn, 5.51% Pb, 1.01g/t Au, 0.45% Cu, 65.9% $BaSO_4$ and 0.11% Sb) from 275.40m

BR-55-23 (RNW Main Zone)
3.00m @ 91.2g/t AgEq, 2.93% ZnEq (22.6g/t Ag, 0.41% Zn, 0.21% Pb, 0.27g/t Au, 0.23% Cu, 7.3% $BaSO_4$ and 0.07% Sb) from 93.00m

MINERAL RESOURCES

The Rupice Mineral Resource Estimate was updated in July 2023 by AMC Consultants. The July 2023 MRE reported 21.1Mt of Indicated and Inferred Resources at 156g/t Ag, 1.2g/t Au, 4.3% Zn and 2.8% Pb, as set out below.

Rupice Mineral Resource Estimate by Classification

Rupice Mineral Resources, July 2023

		Grades							Contained Metal						
Class.	(Mt)	Ag (g/t)	Zn (%)	Pb (%)	Cu (%)	Au (g/t)	$BaSO_4$ (%)	Sb (%)	Ag (Moz)	Zn (kt)	Pb (kt)	Cu (kt)	Au (koz)	$BaSO_4$ (kt)	Sb (kt)
Ind.	18.3	168	4.6	2.9	0.4	1.3	30	0.2	98.6	844	535	81	742	5,426	36
Inf.	2.8	75	2.4	1.6	0.2	0.5	13	0.1	6.8	69	46	7	47	353	4
Total	**21.1**	**156**	**4.3**	**2.8**	**0.4**	**1.2**	**27**	**0.2**	**105.4**	**913**	**581**	**88**	**789**	**5,779**	**39**

Veovača Mineral Resource Estimate by Classification (Unchanged)

Veovača Mineral Resources, July 2019

		Grades						Contained Metal					
Class.	(Mt)	AgEq (g/t)	Ag (g/t)	Zn (%)	Pb (%)	Au (g/t)	$BaSO_4$ (%)	AgEq (Moz)	Ag (Moz)	Zn (kt)	Pb (kt)	Au (koz)	$BaSO_4$ (kt)
Ind.	5.3	225	50	1.6	1.0	0.1	16	38	9	83	55	14	860
Inf.	2.1	116	17	1.1	0.5	0.1	6	8	1	23	11	4	123
Total	**7.4**	**193**	**41**	**1.4**	**0.9**	**0.1**	**13**	**46**	**10**	**106**	**66**	**18**	**984**

Combined Notes:

- Mineral Resources are based on JORC Code definitions
- It is the opinion of Adriatic Metals and the Competent Person that all elements and products included in the metal equivalent formula have a reasonable potential to be recovered and sold
- Rows and columns may not add up exactly due to rounding
- Ind. = Indicated
- Inf. = Inferred

Rupice Notes:

- 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. 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, $6,500/t for Sb and $6,500 for Cu. ZnEq – zinc equivalent is calculated using AgEq*1/31.1
- Metal recoveries and payabilities from the PFS have been applied
- 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%.
- A bulk density (BD) was calculated for each model cell based on its domain, using regression formulas. For the Main zone: BD =2.66612 + $BaSO_4$ x 0.01832 + Pb x 0.03655 - Zn x 0.02206 + Cu x 0.09279 for the barite high-grade domain, BD = 2.72748 + $BaSO_4$x 0.02116 + Pb * 0.04472 + Zn x 0.01643 - Cu x 0.08299 for the barite low-grade domain; and for the NW zone: BD = 2.92581 + $BaSO_4$ x 0.01509 + Pb x 0.04377 - Zn x 0.02123 + Cu x 0.10089 for the barite high-grade domain, BD = 2.74383 + $BaSO_4$ x 0.01731 + Pb x 0.04573 + Zn x 0.02023 - Cu x 0.06041 for the barite low-grade-domain (the barite domains were interpreted using 30% $BaSO_4$ cut-off).

Veovaca Notes:

- A cut-off grade of 0.6% ZnEq has been applied
- Metallurgical recoveries of 90% have been applied in the metal equivalent formula based on recent and ongoing test work results
- 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. AgEq – silver equivalent is calculated using ZnEq*1/51.84
- 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%
- 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

MINING

Ore Reserves

The Ore Reserve Estimate was prepared by AMC Consultants and comprises Probable Reserves as shown in the table below:

Vareš Project Ore Reserve Estimate, December 2023

Deposit	JORC Class.	Ore Mt	AgEq g/t	Ag g/t	Zn %	Pb %	Au g/t	Cu %	Sb %
Rupice	Probable	13.8	187	5.2	3.3	1.4	0.5	0.2	0.23

Notes:

- Mineral Resources are based on JORC Code definitions
- 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
- Rows and columns may not add up exactly due to rounding
- FS metal prices, payabilities and recoveries have been applied
- AgEq – Silver equivalent was calculated using conversion factors of 32.4 for Zn, 25.9 for Pb, 79.2 for Au, 84.2 for Cu and 84.2 for Sb
- The applied formula was: AgEq = Ag(g/t) * 92% * 86% + 32.4 * Zn(%) * 97% * 71% + 25.9 * Pb(%) * 93% * 84% + 83.3 * Au(g/t) * 70% * 76% + 84.2 * Sb(%) * 96% * 17% + 84.2 * Cu(%) * 97% * 82%
- ZnEq – zinc equivalent is calculated using AgEq * 1/32.4

The Ore Reserves for the Vareš Project deposits have been estimated in accordance with the JORC Code. The Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The JORC Code defines an Ore Reserve as: "An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified." The Ore Reserve assumes a direct conversion between Indicated Mineral Resources and Probable Ore Reserves.

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 AMC (Australia) as part of the governance and internal controls in relation to mineral resource estimates and the reporting thereof.

COMPETENT PERSONS STATEMENT

The information relating to the Mineral Resources estimates in this Annual Report are based on and fairly represents information and supporting information compiled by Mr. Dmitry Pertel. Mr. Pertel at time of Mineral Resources estimate was a full-time employee of AMC consultants and is a Member of the Australian Institute of Geoscientists. Mr. 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). Mr. Pertel consented 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. Sergei Smolonogov, who is a Registered Professional member of the Australian Institute of Geoscientists (RPGeo AIG). Mr. Smolonogov is Head of Exploration for 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. Smolonogov 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.

COMPETENT PERSONS STATEMENT

The information in this report that relates to Ore Reserves is based on information compiled by Mr. John Battista and Mr. Simon Grimbeek, both of whom are Competent Persons and Members of the Australasian Institute of Mining and Metallurgy. Both Mr. Battista and Mr. Grimbeek are currently employed by Mining Plus. Mr. Battista and Mr. Grimbeek both have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are 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)". Mr.Battista and Mr. Grimbeek consent to the disclosure of information in this report in the form and context in which it appears.

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, AMC (Australia), Ausenco and others as part of the governance and internal controls in relation to mineral resource estimates and the reporting thereof.

TENEMENT HOLDINGS

The Company's tenements at 21 March 2024 are set out in the table below. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries with the exception of the Raška (Suva Ruda) licence held by Deep Research d.o.o.. The Company has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	Concession document	Registration number	Licence holder	Concession name	Area (km^2)	Date granted	Expiry date
BOSNIA AND HERZEGOVINA	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovača1	1.08	12-Mar-13	12-Mar-38
				Veovača 2	0.91	12-Mar-13	12-Mar-38
				Rupice-Juraševac, Brestić	0.83	12-Mar-13	12-Mar-38
	Annex 3 & 6 Area	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	12-Mar-33
	Extension			Veovača - Orti - Seliste - Mekuse	1.32	14-Nov-18	12-Mar-33
	Annex 5 – Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice- Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droškovac - Brezik	2.88	3-Dec-20	3-Dec-50
				Borovica – Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Concession Agreement	No: 04-14-5359-3/22	Eastern Mining d.o.o.	Saski Do	1.28	19-Jul-22	19-Jul-25
SERBIA	Exploration Licence	310-02-1721/2018-02	Adriatic Metals d.o.o.	Kizevak	1.84	3-Oct-19	29-May-26
	Exploration Licence	310-02-1722/2018-02	Adriatic Metals d.o.o.	Sastavci	1.44	7-Oct-19	29-May-26
	Exploration Licence	310-02-1114/2015-02	Adriatic Metals d.o.o.	Kremice	8.54	21-Apr-16	07-Jul-25
	Exploration Licence	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raška	81.39	28-Dec-15	24-Oct-24*
	Exploration Licence	310-02-01670/2021-02	Adriatic Metals d.o.o.	Kaznovice	37.1	11-Oct-21	22-Nov-24

* Possible to get a 1 year extension, but only for preparation of reserves elaborate which excludes any geological exploration work.

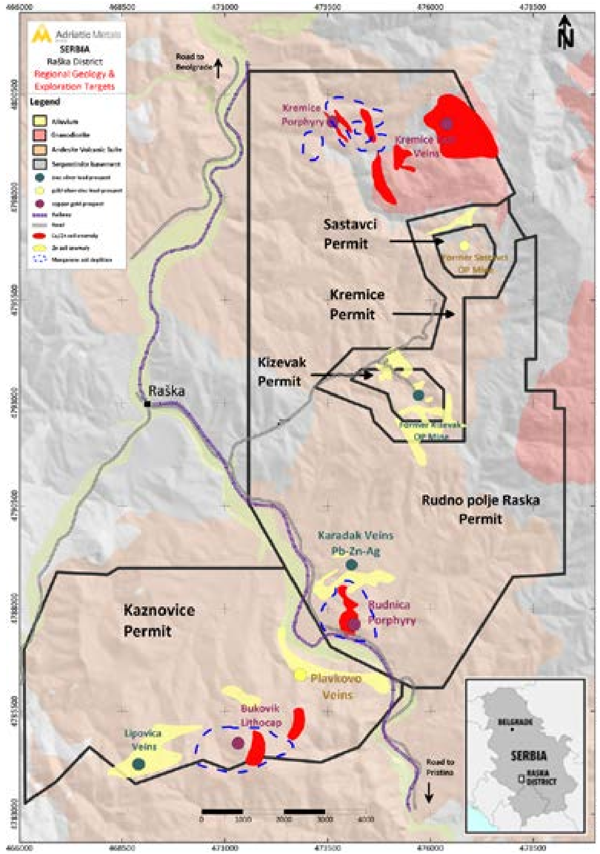
THE RAŠKA PROJECT, SERBIA

Raška, Serbia

The Raška Project, Serbia

The Raška Zinc-Silver Project in Serbia was obtained through the acquisition of Tethyan Resource Corp. ("Tethyan"), which was completed in October 2020. Tethyan was exploring a highly prospective 130km^2 land package in southern Serbia, focused primarily around two historic open pit mining operations, Sastavci and Kizevak, both of which closed in the late 1990s. The Sastavci and Kizevak deposits, like those in the Vareš Project, sit on the Polymetallic Tethyan Metallogenic Belt and thus also contain zinc, silver and lead mineralisation.

Since the acquisition of the Raška Project, the Company has been conducting exploration activities, including resource definition drilling with diamond core drill rigs operating at each key target. Drilling has been continuing, and to date at Kizevak has intercepted various zones of silver, zinc and lead mineralization, while at Sastavci drilling has confirmed near-surface polymetallic mineralisation, as well as an anomalous broad gold structure at depth. Further mineralised sub-parallel structures have also been discovered within 100m of the main mineralising trend, which demonstrates the potential for scale.



2023 Raška Exploration

Exploration across the Raška Project in southern Serbia was focused on the Rudnica, Rudnica North, Kozja Glava, Kremice and Kaznovice prospects.

There was successful intersection of mineralization on the Kozja Glava (Pb-Zn-Ag), Plavkovo (Cu-Au) and Rudnica (Cu-Au) prospects from trench, surface and drill core sampling. Drilling results from the Rudnica prospect identified the potential for a significant increase in the size of the historic Rudnica porphyry deposit. Drilling defined a low-grade gold leach cap from surface, extensions to the known higher grade copper supergene zone below the leach cap, and an expansion of mineralization potential within fresh rock at depth. In 2024, an accelerated exploration program will be advanced to define the size, distribution, contained metal potential and metallurgical characteristics of the Rudnica Cu-Au porphyry. Other Raška prospects will have drilling and field programs advanced at a reduced spend so as to maximize drilling metres across the Rudnica porphyry prospect. Although a low-grade porphyry deposit, Rudnica's potential for expansion, mineralization extending from surface, economically favourable zonation, localization along an elevated ridgeline and ready access to infrastructure, make a compelling case for advancement to an Inferred resource and PEA study stage.

In 2023 a total of 68 boreholes were collared and 10,839.3m drilled with a total of 9,357 drill core samples dispatched for assay and 5,092 samples sent for spectral analysis. In total, 3,194.7m of trenches and channels have been mapped and 968 samples were dispatched for assay.

Financial Review

INCOME STATEMENT

(In USD)	Year ended 31 December 2023	Year ended 31 December 2022	Change
Operating loss before impairment	(20,879,003)	(13,287,601)	(7,591,402)
Exploration and evaluation impairment	-	(23,186,959)	23,186,959
Operating Loss	**(20,879,003)**	**(36,474,560)**	**15,595,557**
Net finance expense & fair value movements	(8,053,856)	(10,668,258)	2,614,402
Loss before taxation	**(28,932,859)**	**(47,142,818)**	**18,209,959**

The Group made an operating loss of $20.9m for the year ended 31 December 2023 compared with an operating loss of $36.5m for the year ended 31 December 2022 ("prior year"). The decrease is primarily due to a $23.2m partial impairment of the Raška Project recognised in the prior year partially offset by an increase in general and administrative expenses of $6.6m,exploration costs of $0.7m and share-based payment expense of $0.3m.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs incurred in the year were $17.2m (prior year: $10.6m) primarily due to increased headcount and higher travel expenses, property costs, and professional fees.

Wages and salaries in the year totalled $6.5m, an increase of $2.0m compared with prior year due to higher headcount, with an average number of employees of 296 in the year (prior year: 158). Travel expenses increased by $1.0m to $1.3m due to more travel associated with the exploration and development of the Vareš Project during the year.

Property costs increased mainly due to new office leases in Sarajevo and London.

Professional fees in the year were $2.8m compared with the prior year of $0.9m, an increase of $1.9m including higher audit fees and legal costs.

EXPLORATION COSTS

Exploration costs of $2.1m expensed in the year relating to the Raška Project were higher than the prior year ($1.4m) due to higher levels of drilling, as activity continues to focus on developing a detailed understanding of the Raška Project's potential and a revised development plan.

FINANCE EXPENSE

The finance expense in the year was lower at $5.5m (prior year: $7.1m) mainly as a result of a higher foreign exchange loss in the prior year of $4.6m recognised on the revaluation of cash held in Euros for the Vareš Project construction, as the Euro depreciated against the US dollar. This favourable change was partially offset by higher interest expense on lease liabilities of $0.5m, amortisation of the day one fair value deferral of the Copper Stream of $0.1m and an adverse fair value Copper Stream liability revaluation of $2.5m.

REVALUATION OF DERIVATIVES AND FAIR VALUE OF LIABILITIES

The Group issued $20m convertible debt to Queens Road Capital Investment Ltd on 30 November 2020 which could be converted into equity securities of the Company at the option of the debt holder at any time until 30 November 2024. The conversion feature of the debt has been accounted for as a derivative liability and is fair valued at each balance date. Fair value movements, which primarily relate to the changes in the Company's share price, exchange rates and the estimated timing of conversion, are taken to the income statement. Mainly due to the Company's higher share price, the increase in fair value of the derivative liability at 31 December 2023 resulted in a $3.5m loss in the year ended 31 December 2023 (prior year: a loss of $4.1m), with the Company share price at 31 December 2023 of A$4.01(prior year: A$3.15) compared with the conversion strike price of A$2.7976 per ordinary share. The QRC convertible debt was converted into shares in March 2024.

Strong capital control

CASH FLOW AND BALANCE SHEET REVIEW

Cash Flow

(In USD)	Year ended 31 December 2023	Year ended 31 December 2022
Net cash used in operating activities	(22,886,414)	(11,233,068)
Net cash used in investing activities	(99,485,435)	(58,664,242)
Net cash inflows from financing activities	106,998,895	22,410,095
Net decrease in cash and cash equivalents	**(15,372,954)**	**(47,487,215)**

Net cash used in operating activities during the year was $22.9m compared with $11.2m in the prior year.

Investing activities included cash outflows for the purchase of property, plant and equipment during the year of $101.0m (prior year: $58.7m) mainly reflecting the development phase of the Vareš Project.

Net cash inflows from financing activities totalled $107.0m, an increase of $84.6m on prior year. This includes two drawdowns of $30m each of the Orion Senior Secured Debt, net of fees and associated legal costs totalling $1.4m, and receipt of the $22.5m copper stream deposit. Other financing inflows include $30.6m (net of transaction costs of $1.4m) from issue of share capital to accelerate and expand the Company's exploration programme. These inflows were partially offset by $1.9m interest paid on loans and borrowings and $2.8 lease payments.

Working capital

(In USD)	At 31 December 2023	At 31 December 2022	Change
Receivables and prepayments	14,892,072	18,830,315	(3,938,243)
Accounts payable and accrued liabilities	(17,672,820)	(5,341,740)	(12,331,080)
Inventory	1,552,781	-	1,552,781
Working capital	(1,227,968)	13,488,575	(14,716,543)

The Group had a negative working capital position at 31 December 2023 of $1.2m, compared with a positive working capital position of $13.5m at 31 December 2022. The decrease in working capital is mainly due to an increase in accounts payable and accruals as the Vareš Project construction neared completion and the Company prepared for the operational phase.

Net liability/cash

(In USD)	At 31 December 2023	At 31 December 2022	Change
Cash and cash equivalents	44,856,215	60,585,277	(15,729,062)
Long term borrowings (including embedded derivative liability)	(150,710,423)	(48,867,271)	(101,843,152)
Net (liability)/cash	**(105,854,208)**	**11,718,006**	**(117,572,214)**

The Company had a net liability position at 31 December 2023 of $105.9m, compared with a net cash position of $11.7m at 31 December 2022. As well as the cash flow movements noted above, the change in cash and cash equivalents of $15.7m includes exchange losses of $0.3m while the $101.8m increase in borrowings mainly reflects $58.6m debt draw down net of costs, receipt of the $22.5m copper stream deposit and its fair value adjustments totalling $4.4m, capitalised Orion senior debt interest of $13.0m, and a $3.5m fair value adjustment to the embedded option in the QRC convertible debt.

Non-current assets

(In USD)	At 31 December 2023	At 31 December 2022	Change
Exploration and evaluation assets	8,500,000	8,500,000	-
Property, plant and equipment	212,730,670	77,860,563	134,870,107
Right-of-use assets	8,319,826	8,953,835	(634,009)
Total non-current assets	**229,550,496**	**95,314,398**	**134,236,098**

Total non-current assets increased to $229.6m at 31 December 2023 (prior year: $95.3m) due to progress on the construction and development of the Vareš Project.

Clear debt repayment programme

CASH

The Company had a cash balance at 31 December 2023 of $44.9m and, subject to satisfaction of conditions precedent, an undrawn debt facility of $30.0m. The final $30m tranche of debt was drawn down in January 2024.

ORION MINE FINANCE PROJECT FINANCE PACKAGE

In 2021 the Company secured a $244.5m project finance package ("Project Finance Package") to provide the Group with sufficient funding through to first concentrate production at the Vareš Project. The package consists of:

- $142.5m project finance debt package from Orion, comprising $120m in Senior Secured Debt and a $22.5m copper stream deposit (together, the "Orion Debt Finance Package"); and
- An equity raise of $102m, including a $50m subscription from Orion.
- All conditions precedent for drawdown of the second and the third tranche of $30m each of the Senior Secured Debt were satisfied and these funds were received in February and April 2023 respectively. The copper stream deposit was also received in February 2023. The fourth tranche of the Senior Secured Debt was drawn down in January 2024.

EQUITY RAISE

In August 2023 the Company secured a gross equity raise of $32m for the purposes of funding an expanded and accelerated exploration programme at Rupice and Rupice Northwest, for general working capital associated with exploration and growth opportunities, general corporate purposes and fees.

QUEENS ROAD CAPITAL CONVERTIBLE DEBT

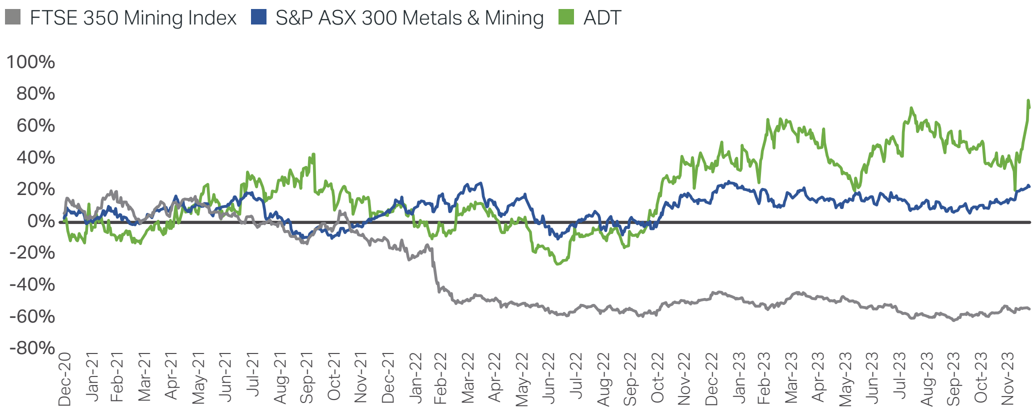
The QRC convertible debt was converted into shares in March 2024.

VAREŠ PROJECT DEVELOPMENT BUDGET

The Project cost estimate increased to $188.9m as at 30 January 2024. The Company remains fully funded to Project completion.

SHARE PRICE PERFORMANCE

The Company's share price has appreciated 72% during the past three years, outperforming relevant comparable market indices, S&P ASX 300 Metals & Mining (23% increase) and FTSE 350 Mining index (54% decrease).



Resilient through cycles

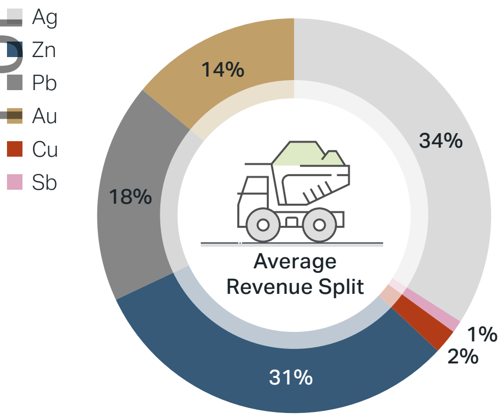
COMMODITY PRICE PERFORMANCE

The value of the Company's assets and potential earnings will be affected by fluctuations in commodity prices, such as the US$ and GBP denominated silver, zinc, lead, gold and copper prices.

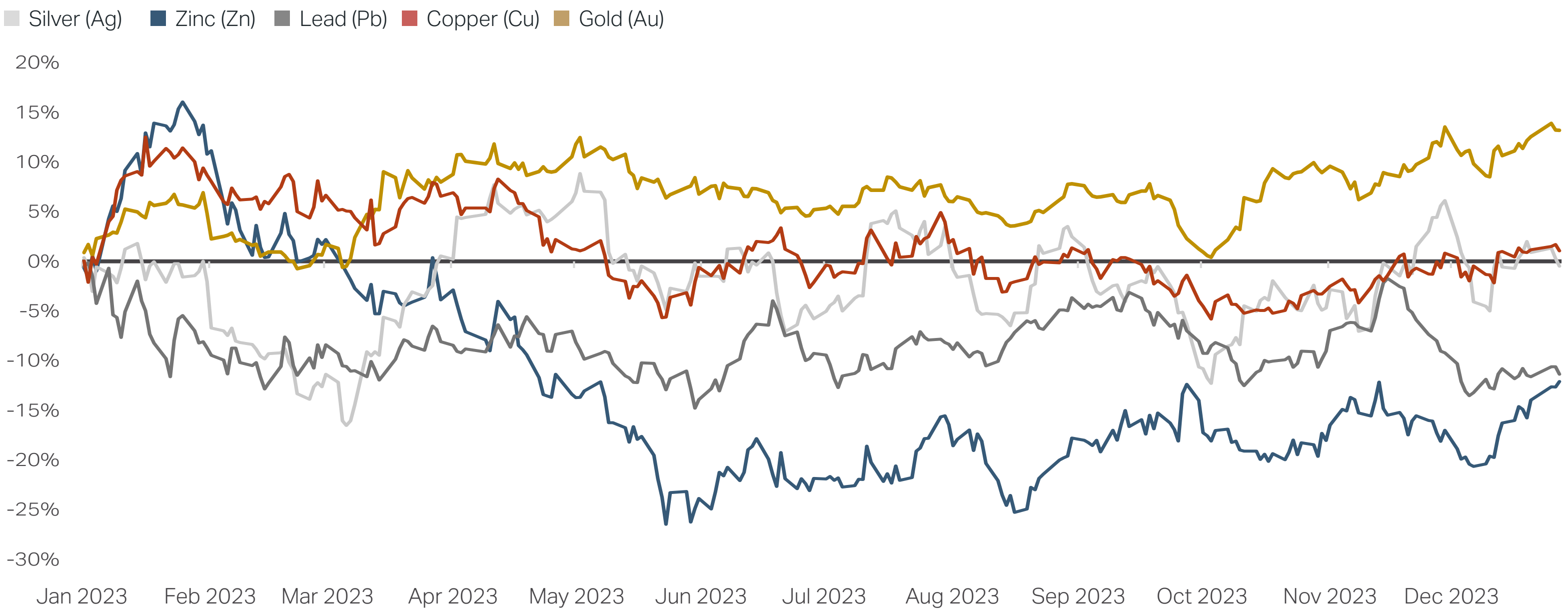
Commodity prices can significantly fluctuate and are exposed to numerous factors beyond the control of the Company such as world demand for precious and other metals, forward selling by producers, and production cost levels in major metal producing regions. Other factors that can affect commodity prices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

The Company routinely monitors commodity pricing trends, exploration results and technical study outcomes to ensure efficient use of capital. The DFS indicated the LOM average contribution to revenue split by commodity, based on the DFS pricing assumptions as follows:

Figure 7: LOM average revenue split by commodity from 2021 Definitive Feasibility Study



The price performance during the year of relevant commodities for the Vareš Project are shown in the graph below:



Principal risks and Uncertainties

Enterprise risk management

The Board is responsible for putting in place a system to manage risk and implement internal controls. The Board has considered mechanisms by which the business and 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 the responsibility for reviewing the effectiveness of the systems that are in place to manage risk.

The Board has delegated certain authorities for 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 is chaired by Sandra Bates, who has recent and relevant financial and business experience. All of the members of the Committee are Non-Executive and Independent.

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; and
- 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. 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 controls.

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

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

Among other things, the Audit & 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 business, 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 to the Audit & Risk Committee at least annually. The Board reviews assessments of the effectiveness of risk management and internal compliance and control at least annually.

B. PRINCIPAL RISKS

The following risks are those that the Group considers could have the most serious adverse effect on its performance and reputation. An assessment of each of the risks below has been made to determine whether they have changed during the year. The Group has concluded that except for certain risks indicated below which it considers have reduced, there has been no material change in the risks described below, compared with the prior year.

The Company has yet to reach nameplate production and is exposed to ramp-up risk

The Vareš Project is anticipated to be the Company's sole source of near term earnings and positive cash flow. Project development is no longer considered a principal risk as the Company announced on 27 February 2024 that it had produced first concentrate from the Vareš Processing Plant. The Company's future success will therefore largely depend upon the Company's ability to complete the production ramp-up of, and then manage, the Vareš Project in accordance with the plans set out in the Definitive Feasibility Study. The DFS is a conceptual study based on certain technical and economic assessments. As such, it is insufficient to provide certainty that the conclusions of the DFS will be realised or that any conceptual, projected or indicative net present value or internal rate of return is assured or certainty as to the estimation of ore reserves.

It is not uncommon for new mines to experience unexpected problems, increased costs and delays during production ramp-up. Any adverse event affecting the Vareš Project following the commencement of production, would have a material adverse effect on the Company's business, results of operations, financial condition and the price of its Ordinary Shares. The Company's ultimate success will depend on its ability to reach nameplate concentrate production and generate positive cash flow from operations, with the principal risks being:

- adverse ground conditions and slow advance rates of underground development and mining; and
- difficulties in ramping up the plant and equipment to nameplate capacity.

An achievable ramp-up profile at Vareš Mine has been adopted targeting steady state production in Q4 2024, a slower ramp-up than previously anticipated driven by:

- **underground structural geology** - following a technical workshop and studies completed in the final quarter of the year, it has been established that there is a requirement for upgraded ground support standards to safely establish and maintain footwall infrastructure. Once installed, the additional ground support will improve ore drive access and derisk level production rates once stoping commences; and
- **processing plant optimisation** - the mine plan delivers life of mine average head grade throughout 2024 to ensure plant operating parameters and product specifications are achieved prior to delivery of high-grade feed in the second half of 2024, 2025, 2026 and 2027 onwards. Upon sustaining nameplate parameters, the Company's strategy will be to maximise high NSR material in accordance with future metal price expectations.

Operation of the Vareš Mine

The principal risks relating to operation of the Vareš Mine are unchanged as follows. In the event that any of these potential risks arise, the Company's operational and financial performance may be adversely affected. This includes, but is not limited to:

- shortages or delays in obtaining critical mining and processing equipment, or the breakdown or failure of such equipment;
- operational and technical difficulties encountered during mining;
- insufficient or unreliable infrastructure, such as power, water and transportation;
- difficulties in operating the plant and equipment, including mechanical failure or plant breakdown;
- shortage of transportation and interruptions in transportation services;
- increases in extraction, processing or transportation costs, including unanticipated metallurgical problems which may affect extraction costs;
- performance of the Vareš Processing Plant and ancillary operations falling below expected levels of output or efficiency;
- difficulties experienced by the state rail operator of Bosnia and Herzegovina in operating the railway line for the movement and storage of concentrates from the Vareš Railhead to the port of Ploče;
- difficulties in operations at the deep-water port of Ploče in Croatia required for shipping of concentrates to smelters;
- changes in the regulatory environment including environmental compliance requirements;
- inability to comply with the conditions attached to the various permissions, permits and licences;
- non-performance by third party operations contractors;
- inability to attract and retain a sufficient number of qualified workers;
- hazards associated with the use of heavy machinery;
- catastrophic events such as fires, adverse weather, explosions, flooding, seismic activity, underground integrity issues, discharges of gas in the air or lubricants, fuel oil or other contaminants into watercourses;
- opposition from environmental groups, local residents or others;
- civil unrest around the mine site, processing plant and supply routes;
- changes to anticipated levels of taxes and royalties; and
- a material and prolonged deterioration in the prices of the commodities to be produced by the Vareš Mine .

Exploration

Exploration risk is unchanged. During the year, the Company achieved further success with its exploration programme at Vareš, with strong drilling results both at the Rupice main ore body and at Rupice NW, which has added significant mine life to the Project, serving to de-risk the project and its commercial viability.

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

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, unavailability of drilling rigs, 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.

Mineral resource and ore reserve estimates

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

The Company follows industry standard Quality Assurance and Quality Control ("QA/QC") practices. AMC (Perth) provides services for resource estimation and sign-off on the QA/QC related to all resource block models and resultant estimates produced. AMC is a globally recognised geological consultancy providing registered competent persons capable of completing and signing off on JORC standard resource estimates.

Environmental risks

The Company's activities are subject to the environmental laws and regulations applicable to the mining industry and those specific to Bosnia and Herzegovina and Serbia. The Company intends to conduct its activities in an environmentally responsible manner and in compliance with all applicable laws, as well as the requirements set out in the Company's Project Support Agreement with the European Bank for Reconstruction and Development. However, there can be no assurance that the systems and procedures implemented by the Company will be adequate to manage the environmental impact of its activities, and the Company may be the subject of environmental accidents or unforeseen circumstances that could subject it to extensive liability.

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

Climate change risks

The Company has considered the resilience of its strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. Although overall precipitation rates are expected to decrease, higher intensity events may occur and increased temperatures in winter mean that snowfall melts more quickly than was previously the case and this, in turn, could increase the risk of flooding. The design of both Rupice and Vareš Processing Plant allows for accommodating drainage and storage from intense stormwater events. However, the haul road may be at increased risk of surface damage, wash outs and landslides. Climate change risks and mitigations have been considered in the Task Force on Climate-related Financial Disclosures ("TCFD") within the Directors' report.

Health and safety

The Company's safety record can impact the Company's reputation. Mines and mining construction sites are inherently dangerous workplaces and the Company's employees and contractors may come into close proximity with large pieces of mechanised equipment, moving vehicles, regulated materials and other hazardous conditions associated with construction, underground mining (for example relating to flooding, seismic activity, shaft and tunnel integrity issues), and processing plant operations.

As a result, the Group is subject to a variety of health and safety laws and regulations dealing with occupational health and safety. The Company intends to conduct its activities in compliance with all applicable laws and internationally recognised mining safety standards with the objective of zero harm operations. However, there can be no assurances that these standards and any measures taken by the Company will be successful in preventing accidents and injuries or violations of health and safety laws and regulations, some of which may be beyond the Company's control.

Any failure to maintain safe worksites or any serious health and safety incident could expose the Company to significant financial losses as well as civil and criminal liabilities or loss of rights to operate, any of which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company has continued to strengthen its occupational health and safety systems, ramped up safety training, expanded the safety team and integrated health and safety into the operational culture, with the objective of ensuring that all employees return home safely at the end of each day.

Foreign exchange risk

The majority of the Group's revenues are expected to be earned in USD. For any revenues denominated in other currencies, any depreciation of these non-USD currencies relative to the USD will result in lower than anticipated revenue, while any depreciation in the US dollar relative to non-US dollar expenditure will result in a reduction in margin and cash flow.

Historical tailing storage facility

Whilst the historical tailings storage facility ("Historical TSF") is the legal responsibility of the Municipality of Vareš and is not located inside the area covered by the Veovača Exploitation Permit, there remains a residual risk to the Company that the community near Vareš may consider or perceive the Historical TSF to be the responsibility of the Company, which may adversely affect the Company's standing within the local community and community relations generally.

The Company has cooperated closely with the Municipality of Vareš on this matter and while it is not required to do so, the Company has commissioned an independent expert appraisal of the Historical TSF, including assessment of its structural integrity and any associated environmental degradation. The water, air and dust monitoring during the ESIA process established baseline conditions around the Historical TSF and monitoring continues. An appropriate management action plan will be developed by the Company.

Community/NGO concerns affecting exploration/operational activity

The Company continues to maintain an active, two-way dialogue with the communities surrounding the Project with the aim of mitigating the risk of potential opposition from environmental groups, local residents or others. This is primarily achieved through three channels: The Public Liaison Committee ("PLC"), the Vareš Project Information Centre and the many staff that the Company employs from its local communities. The PLC consists of 28 members, was set up in July 2020 and meets on a quarterly basis. The Information Centre is a staffed location, open to the public, located centrally in the town of Vareš and has been open since September 2019.

The community of Vareš, government stakeholders and the wider audience in Bosnia and Herzegovina remain supportive of the Project. A significant proportion of the Company's staff is from the local communities of Vareš, Breza and Kakanj.

An ongoing priority for the Company is the importance of carefully managing the activities of its employees, contractors and sub-contractors to ensure that they adhere to the highest standards of environmental, social and safety practices, and to rectify any issues arising through sincere and transparent communication and committed, prompt action. These efforts will continue on an ongoing basis during future operations in order to honour commitments made, and thereby mitigate the risk posed by community or NGO concerns. The Company seeks to mitigate these risks through effective engagement with relevant stakeholders, including all levels of government and local communities.

An information centre is also open in Raška, which, like Vareš, is a community with a rich mining history and therefore broadly supportive of the Company's activities to date. The Company approaches its community and environmental obligations at Raška with the same commitment as at Vareš.

BRIBERY AND CORRUPTION

The Company's code of corporate governance specifies the measures the Company takes to comply with all applicable Anti-Bribery & Corruption legislation, including staff training on prevention of bribery and corruption as part of its HR management plan. A whistleblowing policy is in place, providing all staff the opportunity to disclose anonymously any infringement of the Company's codes, including incidences of bribery and corruption, directly to the Chair of the Audit & Risk Committee. There were no reported incidences of bribery and corruption during the year.

POLITICAL INSTABILITY

The Company acknowledges the potential impact of political instability and civil unrest in or around the Vareš mine site, processing plant or its supply routes, or at its Raška Project, on its ability to advance the projects. To mitigate this risk, the Company closely monitors the national political situation and carefully considers its engagement with politicians (at all levels, including internationally).

The level of political tension during 2023 was less elevated than in late 2021, when secessionist rhetoric by Milorad Dodik, the president of Republika Srpska, received national and international attention, and late 2022 when tensions rose along the Kosovo/Serbia border over the withdrawal of Serbian number plates from ethnic Serbs in Kosovo, resulting in militaristic posturing from Serbia and further attention in the international media.

The Company recognises that the political landscape in Bosnia and Herzegovina after Russia's invasion of Ukraine remains complicated, but believes measures are in place to prevent any deviation from the Dayton Accords, whether externally instigated or not, and the Company does not consider the conflict in Ukraine to have a significant impact on its operations. The conflict is still ongoing at the date of this annual report and management but there has been no impact on the Company's operations.

MINING CONCESSIONS IN BOSNIA AND HERZEGOVINA AND SERBIA

The laws and regulations on mining in Bosnia and Herzegovina and Serbia are still developing and, as a result, some areas of the laws on mining are unclear. If the Company does not comply with the terms of agreement, it may be in default and the mining concession may be terminated, which would have adverse consequences for the Company's operational and financial performance.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. Outcomes in courts in Bosnia and Herzegovina and Serbia may be less predictable than in the United Kingdom, which could affect the enforceability of contracts entered into by the Company or its subsidiaries in Bosnia and Herzegovina and Serbia.

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. Notwithstanding these risks, the Company has made good progress in obtaining the permits it needs for development and preparation for operations.

OTHER COUNTRY RISKS

In common with mining companies in any jurisdiction, the Company will be subject to other political, sovereign, economic and other risks and uncertainties associated with operating in Bosnia and Herzegovina, Serbia and any new countries it may enter in future.

These other risks and uncertainties include, but are not limited to, labour unrest, the risks of conflict or civil unrest, expropriation and nationalisation, changes in taxation policies, restrictions on foreign exchange and repatriation of funds, changing political conditions 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 may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

COMPANY'S DIRECTORS AND SENIOR MANAGERS

The Company relies heavily on a small number of key individuals, in particular the Directors, its senior management and consultants, including, among other matters, to manage and operate the Project and to develop and maintain effective engagement with government, regulatory authorities and communities in Bosnia and Herzegovina and Serbia. The Group's business may be negatively affected by the departure of any of these key individuals or any of a number of other key employees and the failure to attract suitable replacements. Although the Company has succeeded in attracting and retaining key personnel and is confident of continuing to do so, there can be no guarantee of this. The Company does, however, hold key person insurance in respect of the Directors.

The loss or diminution in the services of any of the Directors or any member of the management team or an inability to recruit, train and/or retain necessary personnel could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

Directors' Section 172(1) Statement

Working and communicating with our stakeholders

This statement, a key component of the Strategic Report, is intended to demonstrate how the Directors have approached and fulfilled their responsibilities under Section 172(1) (a) to (f) of Companies Act 2006 ("Section 172(1)") during the period under review.

In accordance with Section 172(1), Directors must act in a way he/she considers, in good faith, would most likely promote the long-term success of the Company for the benefit of its members as a whole, having regard for its stakeholders and the matters set out in Section 172(1). In doing this, the Director must 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.

Adriatic Metals consistently communicates and collaborates with individuals or groups that have influence or have an impact on the organisation. Through both formal and informal engagement, the objective is to understand and respond to the needs and concerns of stakeholders, and to work together to find mutually beneficial solutions.

The Board acknowledges the importance of forming and retaining constructive relationships with all stakeholder groups. Effective engagement with stakeholders yields valuable feedback and insights, enabling Directors to incorporate stakeholder interests in decision-making processes, ultimately contributing to the long-term success of the Company.

The Company maintains ongoing interactions with a variety of stakeholders including shareholders, debt providers, staff, national, cantonal and municipal government administrative and environmental bodies, NGOs, the local community and suppliers.

The Board is committed to providing shareholders with clear and timely information on Adriatic Metals' activities, strategy and financial position. General communication with shareholders is coordinated by the Chairman and Managing Director and Chief Executive Officer together with the Head of Investor Relations. In addition, Adriatic Metals' newly appointed Chief Sustainability Officer will be joining in 2024 and reporting directly to the CEO.

Corporate engagement can take many forms, including surveys, focus groups, town hall meetings and one-on-one conversations. It is a key aspect of corporate social responsibility and is often considered essential for companies seeking to build and maintain a positive reputation and achieve long term success.

The Company publishes on its website a range of information which helps current and potential shareholders to assess the Group's position and prospects. This includes investor presentations, technical reports on projects, resource estimates, drilling updates, annual and interim financial statements, sustainability reports, quarterly activities report, business strategy documents, governance materials, and regulatory announcements, among others.

In Q2, Adriatic Metals published its updated Stakeholder Engagement Plan ("SEP"), which is available on the Company website. The document is developed with the aim of guiding stakeholder consultations and communications throughout the life of the Project, including closure. The SEP is monitored, reviewed and updated on a regular basis by Adriatic Metals providing a roadmap for engagement and monitoring the effectiveness of impact mitigation measures. The plan has been developed to meet best practice as exemplified by the standards of the Equator Principles financial institutions, including the sustainability frameworks of the International Finance Corporation and EBRD's Performance Requirements 1 & 10.

CONSIDERATIONS OF KEY STAKEHOLDERS

Shareholders

Acknowledging that a majority of private investors hold shares via nominee shareholders, limiting the full exploitation of their shareholder rights, the Company is committed to engaging with all shareholders, not just institutional ones. The Head of Investor Relations, based in London, manages shareholder inquiries and collaborates with the Company's brokers and public relations advisers to facilitate engagement.

Board review

To keep the Board informed about the perspectives and concerns of major shareholders, briefings from the CEO, Chairman, Head of Investor Relations, and the Company's brokers are regularly conducted. External consultants provide share register analyses on a monthly basis, along with significant investment reports from analysts.

The Company's annual general meeting, open to all shareholders, will be held in London following the publication of annual results and the issuance of the Notice of Annual General Meeting.

Local stakeholders

Adriatic Metals recognises that its activities and the forthcoming commissioning of the Vareš Project create significant potential impacts on, as well as opportunities for, local people. The ongoing management of environmental and social issues is based on an international standard of ESIA. In addition, the Company is committed to regular consultation and engagement with the community, including through a Community Information Centre and a Public Liaison Committee.

KEY CONSIDERATIONS UNDER SECTION 172(1)

A: The likely consequences of any decision in the long term

The Board prioritises the long-term success of the Company, evaluating decisions with a focus on sustained growth and value generation. Strategies, such as ongoing engagement and environmental impact assessments, contribute to the Company's long-term success.

B: The need to foster business relationships with key stakeholders

The Board acknowledges the significance of relationships with key stakeholders, emphasising effective engagement and relationship-building. Analyses of stakeholder engagement mechanisms and ongoing reports ensure a comprehensive understanding of stakeholder feedback and insights.

C: The desirability of maintaining a reputation for high standards of business conduct

The Board oversees the Company's culture, values, and reputation. A commitment to high standards of business conduct is maintained through compliance reports, stakeholder engagement, and metrics that contribute to upholding the Company's reputation.

D: The impact of the Company's operations on the community and environment

The Board actively monitors the Company's community and environmental impact through reporting from senior management, aligning with ESG objectives. Comprehensive discussions on environmental issues and ongoing engagement with the local community guide decision-making.

E: The need to act fairly as between members

The Company's Directors engage with shareholders through various channels, ensuring accessibility and transparency. Regular meetings, comprehensive online updates, and the publication of key information contribute to fair and transparent communication with members.

In adherence to our purpose and strategy, these considerations contribute to the long-term sustainable success of the Company.

The following table sets out the Company's key stakeholder groups, how the Company has engaged them during the year.

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Shareholders Current or potential individuals or entities that may own shares have a financial interest in its performance through changes in share price or payment of dividends. Shareholders also have the right to vote on certain important matters, such as the election of directors and approval of major corporate actions such as mergers, acquisitions and fund raises.	As the Company progresses through development and into production, shareholders have raised the following topics: • Construction progress on the Vareš Project • Management changes • Geopolitical impacts on supply chain and sourcing key equipment • NGO activity • Inflationary impact on cost and budget • Climate change / TCFD reporting • Political climate in Bosnia & Herzegovina • Executive remuneration versus targets	The Company maintains a regular dialogue with 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 major news flow, interim and annual financial results. The key mechanisms of engagement included: • The Annual General Meeting • Annual and Interim Results • 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 posts • Site visits for existing and potential investors and equity analysts Shareholders with queries are encouraged to contact Klara Kaczmarek, the Company's Head of Investor Relations, at klara.kaczmarek@adriaticmetals.com	The Company has engaged with investors on topics of strategy, governance, project updates and performance. In addition to a number of investor roadshows and one-to-one meetings, the Company conducted a number of site visits in 2023 which provided direct experience of the progress of the Vareš Project and understand more about the development process. The Company also attended numerous investor conferences globally.

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Existing and potential future debt providers Individuals or entities that provide loans to fund operations and finance growth in exchange for fixed income payments, such as interest and principal repayments.	The Orion Debt Finance Package agreements contain a number of financial and other Project-related reporting obligations that the Company must comply with on a regular basis; and has done so during the year.	During the year, one-to-one meetings with the CEO and/or CFO were undertaken on a regular basis to provide regular updates on progress of the Vareš Project. Regular technical team meetings have taken place between the Company and Orion throughout the construction phase of the Vareš Project. The CEO and CFO maintained regular and open communications with both Orion and Queens Road Capital, as well as external consultants, on an ongoing basis.	In September 2023, Adriatic Metals hosted a team from Boliden, one of the Company's offtakers. Boliden brought their senior sustainability officers to site and the Vareš Project underwent a significant review of its sustainability procedures. Following the site visit Boliden and Adriatic Metals issued a joint press statement that both companies will work together to produce zinc with the highest ESG standards.
Workforce Employees are critical to Adriatic Metals' culture and have a vested interest in the Company's success. Employees have a direct impact on the Company's performance and can also be impacted by its decisions.	Employees have raised a number of topics during the course of the year, including: • Compensation and benefits • Health and safety • Career development • Diversity and inclusion	Adriatic Metals maintains an open line of communication between its employees, senior management and Board. The Group monitors health and safety on a daily basis and reports performance of lost time injury and frequency rates. The Group undertakes annual group-wide employee surveys to capture important insights and monitor workforce satisfaction. The CEO and CFO report regularly to the Board, including the provision of board information. Key members of the finance team are invited to the Audit & Risk Committee meetings. There is a formalised employee induction into the Company's corporate governance policies and procedures. Senior management regularly visit the operations in Bosnia and Herzegovina and Serbia and engage with employees through one-on-one and staff meetings, employee events and Project updates.	**Health & safety** The Company maintained an excellent safety record during the year. The lost time injury frequency rate ("LTIFR") at the end of Q4 was 1.25. **Training** 2023 focused on a fit for purpose Technical Training solution, to ensure operational readiness and safe production. **Diversity** The Company has maintained a strong level of female representation in the workforce of 27%. **Employee Survey outcome** In October 2023, an Employee Survey was conducted to gauge the performance of senior management's delivery of the Company's values and visions. In 2023, participation in the survey was 69% with 80% of employees agreeing they are proud to work for Adriatic Metals. Following the survey, Adriatic Metals' working group continues to develop and launch further employee engagement initiatives.

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Governmental and NGO bodies Adriatic Metals maintains strong working relationships with governmental representatives at all levels in the host regions where we operate, to foster continual dialogue and build trust. Governmental bodies are critical in determining local regulations and can influence decision-making through their input, feedback, advocacy and policies. We also engage with independent, non-governmental organisations that focus on socio-political and environmental goals such as human rights, education, business ethics, health, safety and biodiversity preservation.	A number of areas were raised and discussed during the course of the year, including: • Licencing and permitting. • Site visits.	The Company engages with local (Municipal), regional (Cantonal) and national (Federal) government in Bosnia and Herzegovina. In Serbia the Company engages with local (Municipal) and national government. In addition to statutory reporting the Company regularly updates the government departments. Open, continuous engagement is key to developing a successful permitting regime. The Country Managers report regularly to the Board on progress with obtaining licences and permits. Adriatic Metals is committed to being a long term participant in both Bosnia and Herzegovina and Serbia with a firm commitment to each country's sustainable development. We are committed to conducting our relationships on the basis of transparency, partnership, integrity and shared prosperity.	**Bosnia and Herzegovina** In Q1 2023 Adriatic Metals received confirmation from the Government of Bosnia and Herzegovina that the Vareš Project has been granted the status of Project of Special Importance. In September 2023, Adriatic Metals organised a site visit for local NGOs to enhance their comprehension of the company's operations and sustainability practices. Adriatic Metals also conducted several site visits for guests such as the US, British, and Norwegian Embassies, the Prime Minister and Cabinet of Zenica-Doboj Canton, the Federal Minister of Environment and Tourism, and representatives from various Balkan governments. During 2023 the following licences and permits applications were successfully completed: • The environmental permit for Rupice, was approved by the Federal Ministry of Environment and Tourism ('FMOIT') due to the changes in the surface layout at Rupice. **Serbia** During 2023 the following licence applications were successfully made: • The Ministry of Mining and Energy granted Adriatic Metals extensions for three exploration permits in Q2 and Q3, recognizing the company's commitment to responsible resource exploration. Adriatic Metals continues focused exploration on specific areas, emphasizing sustainable development for growth and contribution to Serbia's economic landscape.

Key Stakeholder groups	Key topics raised	How and why we engage	Engagement outcomes
Community 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. Community engagement will inform better decision making, particularly during the Project development stage. **Bosnia and Herzegovina** The near-mine communities in Vareš and Kakanj and the wider population of the municipalities and Canton of Zenica-Doboj. **Serbia** The near-mine communities in the Municipality of Raška, the national park of Kopaonik (which borders the North-eastern extremities of the license areas) and the wider population of both Southwest Serbia and Northern Kosovo.	As Adriatic Metals is progressing towards production, the Company is starting to have significant social, economic and environmental impacts on the local community and surrounding area, leading to questions around: • Strategic plans in place for the successful execution of infrastructure undertakings such as the road reconstruction. • Employment opportunities. • Involvement in Adriatic Metals sponsored events and education programmes such as English language courses. • Installation of electric cables.	**Bosnia and Herzegovina** Adriatic Metals continues its engagement through the Vareš Information Centre and Public Liaison Committee, proving an excellent forum for community feedback. This includes dissemination of Project developments, the advertisement of the public consultations and the Company's approach to sustainability. Social, print, radio and television media platforms have all been utilized. **Procurement and contracting** The Company employs the majority of its current (and future) staff from the municipality of Vareš. In addition, a Local Business Development Officer is in place to engage with local suppliers and contractors.	**Bosnia and Herzegovina** In May, Adriatic Metals actively participated in a conference on "Secondary Vocational Education in Bosnia and Herzegovina," fostering the exchange of experiences in dual education. The event, supported by the Swiss Agency for Development and Cooperation and the German Association for International Cooperation, aimed to guide future activities and legal obligations. In June, as part of collaborations with the University of Zagreb and the European Institute for Innovation and Technology, Adriatic Metals hosted an international student exchange program, welcoming 50 students and 6 professors from various continents to learn about the company's operations, mission, and vision. More information can be found in the community section of this review. **Serbia** Adriatic Metals maintained a successful partnership with Raška Gymnasium, fostering connections between students, professors, and company representatives to acquaint students with exploration activities and the geology profession. Additionally, the company demonstrated ongoing social responsibility in Raška through generous contributions, benefiting various local organizations, emphasizing the importance of community engagement for trust and positive relationships.
Suppliers Suppliers are fundamental to ensuring that Adriatic Metals can construct the Vareš Project on time and on budget. Using quality suppliers ensures that the Company can meet the highest standards of performance and safety across all areas of the business, including contractors and subcontractors.	During the construction phase of the Vareš Project, Adriatic Metals engaged key suppliers under commercial engineering and supply contracts to deliver the mine and plant equipment and support ongoing production.	The procurement team has undertaken the pre-qualification of several engineering providers and mining contractors, with engagement including: • One-on-one meetings between management and suppliers. • Contact with procurement departments and accounts payable. • Membership of Cantonal and National Chambers of Commerce. • Presentations at National trade events and forums. At a local level, the Company has also engaged and partnered with smaller companies, some of which are independent, or family run businesses.	**Bosnia and Herzegovina** Adriatic's engagement with suppliers for the Vareš Project aims to ensure strategic alignment. Through transparent communication and collaboration, we continue to uphold high standards of performance and safety while optimising procurement.

Principal decisions by the Board during the period

The Company defines principal decisions as those which potentially have a long-term strategic impact and are material to the Group, and/or are significant to key stakeholder groups. In making the following principal decisions, the Board considered balancing the needs of different stakeholders, the need to maintain a reputation for high standards of business conduct, the impact on the environment and the interests of the shareholders:

A. NEW REMUNERATION POLICY

The Board approved seeking approval from shareholders for a new Directors' remuneration policy that will apply for up to 3 years from the 2023 AGM, including the performance conditions applicable to the new 2023 LTIP.

B. RASKA PROJECT IMPAIRMENT

Due to the longer development horizon envisaged for the Raska Project, the Board approved recognition of a non-cash partial impairment of $23.2m against the Raska Project, bringing its carrying value to $8.5m and for this to be reflected in the Company's Annual Report and Accounts for the previous year.

C. ROAD HAULAGE AGREEMENT

The Board approved the entering into of a Road Haulage Services and Maintenance Agreement with Almy Transport d.o.o. Zenica for a duration of five and a half years for the provision of haulage services, road maintenance and other related services in connection with the transportation of ore, tailings and aggregate, as well as road maintenance, in connection with the Vareš silver project.

D. EQUITY FINANCING

The Board approved an equity financing by way of a conditional placing of 14,777,632 ordinary shares in the Company to raise gross proceeds of US$32,069,456 at the placing price of £1.70 (AU$3.30) per share, for the purposes of funding an expanded and accelerated exploration programme at Rupice and Rupice Northwest, for general working capital associated with exploration and growth opportunities, general corporate purposes and fees. The equity financing was completed during August 2023.

Sustainability Review

Standards and commitments

This sustainability review presents a summary of Adriatic's sustainability-related performance in 2023. Information is provided that demonstrates how sustainable development contributes to the Company's long-term success and how value is created for stakeholders including employees, local communities, contractors and shareholders.

BASIS OF PREPARATION

The information within this sustainability review has been developed in accordance with legal requirements such as Streamlined Energy and Carbon Reporting (SECR), Task Force on Climate-Related Financial Disclosures (TCFD), Companies Act 2006 and Bosnian Mining Law.

Disclosures have largely been shaped by the benchmark reporting standard agreed with investors the European Bank for Reconstruction and Development (EBRD) as well as the United Nations Sustainable Development Goals (UN SDGs).

Unless clearly stated, all sustainability disclosures are related to operations in Bosnia and Herzegovina, where impacts are most evident and material.

Global Reporting Initiative (GRI)

Standards enable understanding and reporting on impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development

Sustainability Accounting Standards Board (SASB)

SASB Standards identify the subset of environmental, social and governance issues most relevant to financial performance and enterprise value. SASB is now part of the IFRS Foundation and integration agenda of sustainability.

International Finance Corporation (IFC)

ESIA delivered in conformance with IFC's performance standards as agreed with EBRD..

International Council on Metals & Mining (ICMM)

10 Principles for sustainable development to set a standard of ethical performance. Adopted by London Metals Exchange as certified standards as well as Boliden.

Carbon Disclosure Project (CDP)

A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmenta limpacts.

Equator Principles

Voluntary guidelines adopted to ensure that large scale development or construction projects appropriately consider the associated potential impacts on the natural environment and the affected communities.

Taskforce on Climate-Related Financial Disclosures (TCFD)

TaskForce on Climate-related Financial Disclosures, a guidance framework that helps companies disclose climate-related financial risks to investors, lenders and insurers.

European Bank for Reconstruction & Development (EBRD)

Guidance framework that helps companies disclose climate-related financial risks to investors, lenders, and insurers.

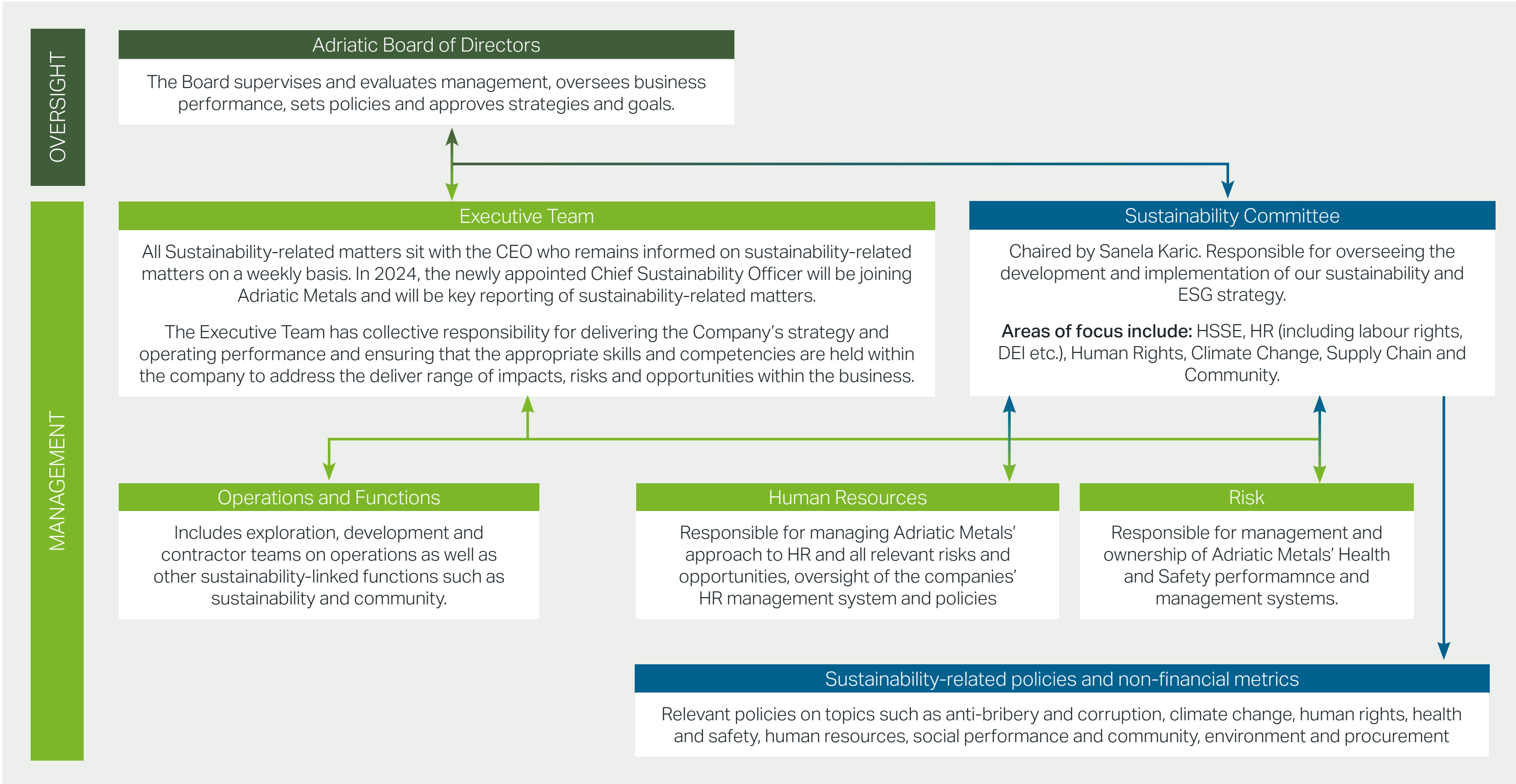
MANAGING SUSTAINABILITY-RELATED RISK AND OPPORTUNITY

We believe that sustainability considerations must be built into the foundations of what we do.

Adriatic Metals is committed to managing sustainability-related risks and opportunities, embodying a comprehensive approach led by our executive team. The Board bears ultimate responsibility for the company's environmental, social and climate change management. This crucial leadership role is complemented by the Head of Sustainability, who spearheads an operational-level working group tasked with delivering the company's sustainability strategy. This strategy includes targeted initiatives to address climate-related risks and seize emerging opportunities.

Adriatic Metals views the management of sustainability-related risks and opportunities not only as a strategic imperative but as a collective responsibility that effects every level of our organisation. Through active leadership, operational excellence, and community engagement, we strive to reach a sustainable future aligned with our values and responsibilities.

Sustainability governance structure



Sustainability Policy

Adriatic Metals' Sustainability Policy regulates and provides guidance for the company's management of activities to minimise adverse workforce, community or environmental impacts and to realise opportunities in these areas.

The Company recognises that its principal concern must be the wellbeing of its people, whether employees, contractors, consultants, affected communities or other stakeholders. The health and safety of these stakeholders, and the preservation of the environment in which they work or live, is a critical factor in measuring the long-term success of the company's business.

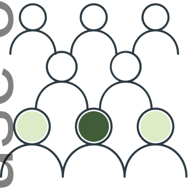
Climate Change Policy

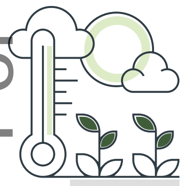
As stated in our Climate Change Policy, Adriatic Metals recognises that climate change represents one of the most significant challenges facing the world today and supports the goals of the Paris Agreement. Our aim is to minimise our contribution to greenhouse gas emissions, to consider and plan for the physical risks of climate change on our operations and to work with our host communities to build their understanding of their resilience to the physical impacts of climate change.

The responsibility for implementing the policy extends to all employees and contractors engaged in relevant activities within our operational sphere. Company managers play a pivotal role in promoting and ensuring compliance with this policy, as well as any specific site-level policies and practices. In the Vareš project, our commitment to sustainability is further manifested through advanced stakeholder engagement, facilitated by a comprehensive plan. Activities such as establishing a Public Liaison Committee (PLC) contribute to transparent information dissemination, fostering collaboration and understanding.

Sustainability Framework

Assessing and managing our operational impacts.





Pillar	Long-term success criteria	2023 Facts and Highlights
COLLEAGUES Building capability	• Zero life altering injuries (this would include fatalities, physical and health injuries) • Total recordable injury frequency < 8 • 25% of women employed to 2024 • Build capacity and capability in local workforce	**296** total employees **27%** female employees **1.40** TRIFR **1.25** LTIFR **27,463** total hours of internal and external training **80%** of employees are proud to work for Adriatic Metals
COMMUNITY Driving shared prosperity	• Zero degradation in public health from our activities • Socioeconomic contribution • Community engagement and development • Social investments • Build capacity in local supply chain	**2,987** visits to the Vareš Information Centre **72%** of spending on local suppliers **121** local contractors
CLIMATE Meeting environmental challenges	• Zero serious environmental incidents • Rehabilitate at least 110 ha of degraded forest together with local forestry authorities • Reduce fresh water use through recycling • Design and achieve 100 % of recycling waters in process plant and underground mining	**2,448** tCO_2e scope 1 and scope 2 emissions **$1.6Mm^3$** tailings capacity Built water treatment facility with 25 m^3/h of treatment capacity **$43.8m^3$** of processed water used per day
COMPANY Transparency and accountability	• Corporate governance and business ethics • Zero tolerance for bribery and corruption • ISO9001, 14001 and 45001 certification	**4** Sustainability Committee meetings

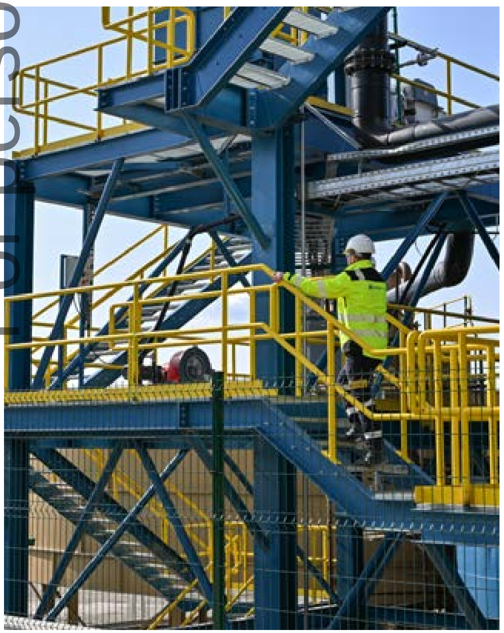
Our intention is to deliver a European environmentally sustainable mine while fulfilling our immediate and long-term social obligations.

COLLEAGUES: THE PATH TO OPERATIONAL READINESS

Our People

Adriatic Metals comprises a dynamic and diverse workforce of 296 individuals who contribute to the ultimate success of our company.

Notably, 88% of our workforce operate within Bosnia & Herzegovina, forming a cohesive and integral part of our local presence. This significant local contribution underscores our commitment to the communities we operate in, fostering strong connections and collaboration.



Workforce management system

Adriatic Metals retains a robust management structure and follows best practice in establishing the required policies and procedures.

HR Information System ("HRIS")

Adriatic Metals continues to enhance its core people processes within its Human Resources (HR) function. Previously, the company operated with a myriad of HR systems and various manual interventions.

Recognising the need for a comprehensive solution, a dedicated project was initiated to identify a suitable Human Resource Information System (HRIS). The overarching goal was to streamline HR operations, addressing the current deficiencies in integration between systems.

The HRIS implementation commenced in January 2024. This timeline allows for thorough planning and preparation to ensure a seamless transition to the new system. The anticipated benefits include improved integration, enhanced functionality, and a scalable system that aligns with the evolving needs of the company.

Employee Relations

To track effectiveness, Adriatic Metals conducted an employee survey with the purpose of receiving feedback to gauge workforce sentiment. From the responses gathered, the HR team were able to identify initiatives that are working well, what improvements could be made, and where changes should be implemented. Adriatic Metals believes that the efficacy of cultural approach is evidenced in the positive responses that were recorded from the employee survey.

In 2023, participation in the survey was 69% with 80% of employees agreeing they are proud to work for Adriatic Metals. Following the survey, Adriatic Metals' working group continues to develop and launch further employee engagement initiatives.

Sanela Karić was appointed by the Board to be responsible for employee relations and in discharging these duties attends both the working group and employee council meetings.

Training and development

In the lead up to production, Adriatic Metals established a robust Technical Training solution that seamlessly integrates health, safety, and environmental awareness training into the technical training curriculum. This initiative is key in ensuring the operational readiness of our workforce, cultivating a safety ethos, and facilitating a progression to incident-free production. This integrated approach is key in ensuring the operational readiness of our workforce.

Learner Management System	Identify best solution based on AMs needs
Training Intervention Templates	Standardisation and Alignment
Service Provider Selection and Onboarding Process	Quality Assurance
Learning and Development Procedure	Governance
Technical Training Project Plan	Project Management

In October, we successfully onboarded respected training partners H2E Sustainability, The Compliance Group, and The Outsourcing Institute. A detailed analysis of training needs related to mining, processing, and maintenance was conducted, laying the groundwork for further tailoring our training programs to meet the specific demands of our operational landscape.

Building on the insights derived from the training needs analysis, a comprehensive Processing Training Matrix was developed. This matrix serves as a blueprint, outlining the mandatory training requirements essential for completing work in the safest manner possible.

In addition, Adriatic Metals implemented and developed a Process Plant Workplace Induction program, ensuring that our workforce is well-acquainted with the intricacies of their roles, contributing to a smooth transition

Case Study:
Operator Trainee Programme

In October, we welcomed our first intake group of a 3-month Blended Learning Programme under the Operator Trainee Programme. Informed by the Adriatic Metals Learning and Development Framework, this initiative represents a strategic investment in the growth and proficiency of our workforce. The trainee group is a diverse group of 15 trainees from Vareš, including 12 females, exemplifying our dedication to inclusivity and community engagement.

As we move towards production, these initiatives will continue to underscore our dedication to operational excellence and employee development.

Diversity and equality

Adriatic Metals is committed to creating a diverse workplace and firmly believes in the benefits that arise from cultivating a multi-demographic environment. Our goal is to attract a wide range of high-quality candidates, tapping into diverse perspectives and ideas while enhancing employee retention. This commitment is outlined in our Diversity Policy, establishing a culture of inclusivity for the benefit of all.

A key focus at Adriatic Metals is supporting and increasing the representation of women in our industry. Committed to expanding employment opportunities for women in a historically male-dominated field, we set a target of 25% female representation across the company. Once again, we have surpassed this goal, achieving 27% female employees at the end of 2023.

As of 31 December 2023, 33% of the Board of Directors were female. One of which is independent. None of the Board of Directors are from a minority ethnic background.

Benefits and recruitment

Our resourcing strategy continues to evolve with a focus on enhancing the identification, attraction, and selection of top-tier talent for critical roles within Adriatic. Upholding the principles of fairness and transparency, the recruitment process aims to secure the most qualified candidates while fostering diversity. This formalised approach spans all stages of enrolment, encompassing job description approval, distribution of job opportunities, criteria for shortlisting and the interview process.

Key 2023 initiatives can be characterised by:

1. Internal resourcing and professional development: Adriatic Metals advertise all available positions to our existing internal employees. This not only promotes a sense of inclusivity but also supports the growth and career development of our existing workforce.
2. Operational role development: As Adriatic Metals looks ahead to becoming operational, the Company continued to develop employee skills ready for operational roles, driven by clear transition plans, ensuring a smooth integration of valuable skills.
3. Expat recruitment: Mandatory site visits have been incorporated into the expatriate recruitment process. In 2023 alone, Adriatic Metals arranged a total of 9 site visits, reinforcing a commitment to thorough candidate selection.

Health and safety

Adriatic Metals is committed to protecting the safety, occupational health and welfare of the workforce. The Company strives to achieve Zero Harm and to eliminate the potential for accidents and injury in the workplace. Adriatic Metals also ensures that its operations do not impact negatively on the safety or health of associated communities.

We are committed to creating a company-wide culture of care and trust, where managers lead by example and ensure that where significant incidents do occur, including high-potential situations/near misses, an investigation is undertaken to identify root causes and to ensure that learning points are identified and disseminated, to prevent reoccurrence. We engage with internal and external stakeholders, including employee representatives, on health and safety-related issues in an open, collaborative and transparent manner.

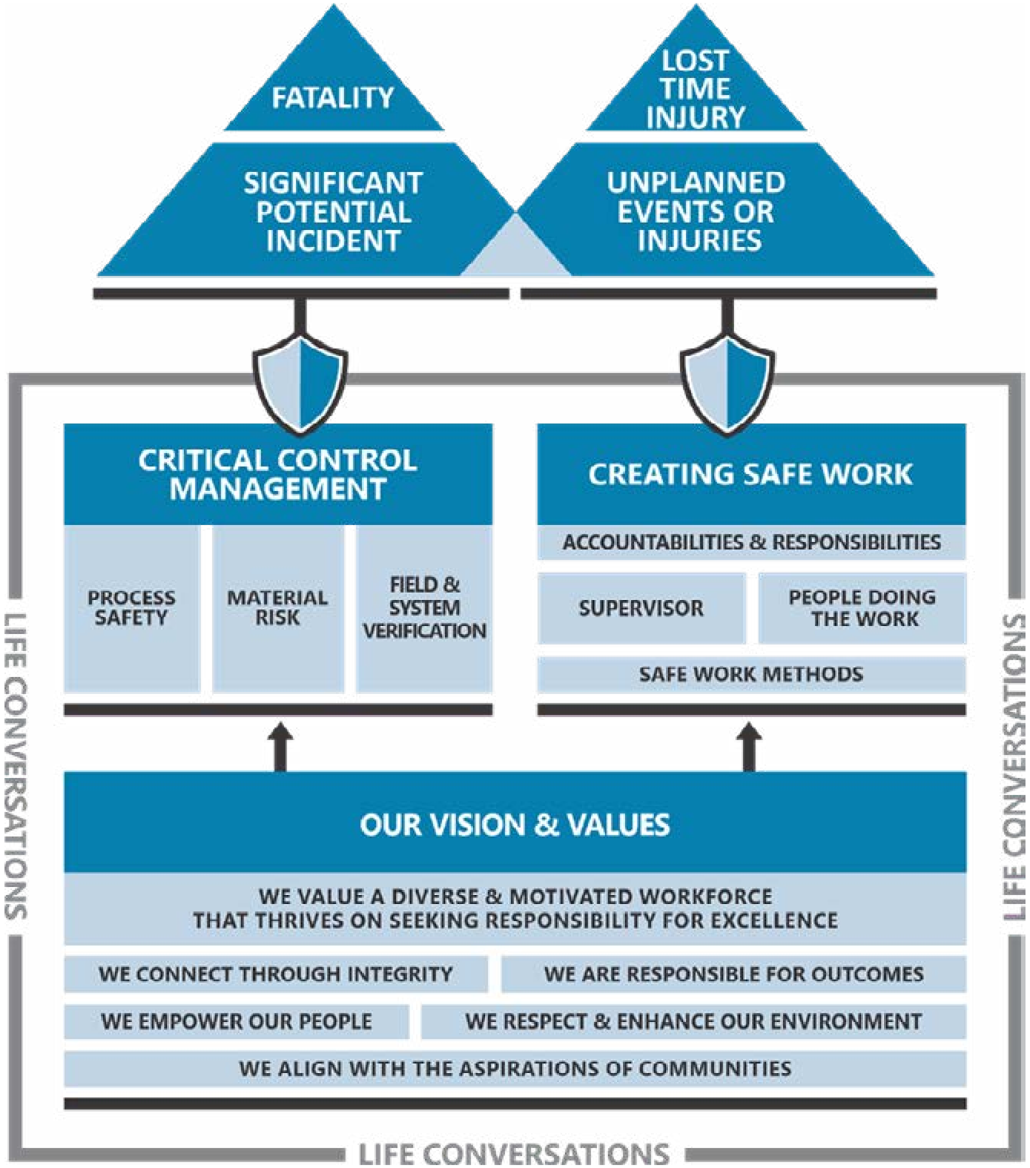
Accountability

Adriatic Metals have an established accountability cycle, setting and holding individuals to common expectations to support people to go home, unharmed, every day. The six-step cycle outlines the stages each employee must go through: from setting goals and expectations through to giving feedback to ensure the Company continues to drive and maintain accountability.

Safety model

Health and safety are approached through the lens of continuous improvement. The Company maintains a robust health and safety model that includes policies, procedures, training and Company standards.

A key element of the Adriatic Safety Model and an integral part of risk management that focusses on identifying and managing controls that are critical to prevent catastrophic or fatal events is Critical Control Management. The Company stipulates that these controls must be in place before commencing any task that involves a major hazard.



Health and safety performance

Despite a substantial increase in contractor and employee work, with an associated higher health and safety risk profile due to increased construction and operational activities, Adriatic Metals achieved strong health and safety performance, with an immaterial increase in Lost Time Injury Frequency Rate (LTIFR) and a significant reduction in Total Recordable Injury Rate (TRIFR).

As of the end of 2023, the LTIFR and TRIFR stand at 1.25 and 1.40, respectively. This compares to 2022 where the LTIFR and TRIFR stood at 1.03 and 4.10 respectively. The Company also recorded zero work-related fatal incidents during the entire year, underscoring the effectiveness of Adriatic Metals' safety measures and protocols.

Maturing the health and safety management system

The company has focused on the maturation of its health and safety management system, extending coverage and operationalisation for more comprehensive risk mitigation.

In 2023, Adriatic Metals invested in health and safety event management software. This sophisticated tool enabled accurate and effective tracking and management of incidents, inspections, audits, and improvement opportunities, streamlining the overall safety management process

Case Study:
Incident investigation through animated videos

In 2023, Adriatic Metals embraced Incident Cause Analysis Method (ICAM) protocols and utilised animated videos as a means of enhancing its understanding and communication of investigation outcomes.

ICAM is a widely acknowledged approach used by organisations to systematically investigate incidents, pinpoint root causes, and implement corrective actions. Recognising the pivotal role of effective communication in incident investigation, Adriatic Metals integrated animated videos into their ICAM procedures.

The primary objectives set by Adriatic Metals centred around transforming the communication of investigation outcomes within the organisation. Their goals included:

1. **Enhancing Understanding:** Through animated videos, Adriatic Metals aimed to simplify intricate investigation findings, making them more accessible to a diverse audience within the organisation.
2. **Improving Communication:** The focus was on fostering clearer communication of investigation outcomes to ensure that all stakeholders comprehended the incident causes and corrective actions.
3. **Promoting Engagement:** The objective was to elevate engagement and retention of critical information by presenting investigation outcomes in a visually compelling and memorable format.

By concentrating on the video development of investigation outcomes, Adriatic Metals has successfully elevated their incident investigation process, ultimately contributing to a safer and more informed workplace.

Training initiatives

Adriatic Metals has prioritised the enhancement of training capabilities through the HR department, acknowledging the role of education in creating a safe workplace. This involved the introduction of dedicated health and safety training resources, aimed at enhancing the knowledge and skills of the workforce.

In 2023, Adriatic Metals took proactive steps to commence workforce training in high-risk tasks, collaborating with external experts. This initiative aimed to equip employees with specialised knowledge, fostering a well-prepared and informed workforce. A bespoke Introduction to Hazard and Risk Awareness Module was crafted and implemented. This module plays a pivotal role in enhancing our employees' understanding of potential hazards and risks, fostering a safety-conscious work environment.

In addition, improvements were made to the content and structure of inductions, particularly in 'Creating Safe Work'. These enhancements were designed to empower employees and contractors with the knowledge and capabilities necessary to effectively execute the Adriatic Metals Safety Model.

Driver safety

To enhance road safety performance in line with the increased traffic intensity of heavy plant machinery, Adriatic Metals has installed forward and cabin-facing dash-cams, along with GPS speed/location tracking in light vehicles. This initiative is aimed at monitoring and managing safe driving behaviours among employees.

Looking ahead

In 2024, Adriatic Metals will commit to continuing its spread and frequency of health and safety initiatives, including:

- establishing a Major Hazard Champion program,
- enhancing competency-based health and safety training through various learning techniques,
- conducting scheduled drills and further training for the emergency response team.

These measures reflect Adriatic Metals' unwavering commitment to fostering a safe and healthy work environment.

COMMUNITY RELATIONS AND ENGAGEMENT

Our mission is to enable the use of materials needed for a thriving planet and we are excited to be a part of this journey.

Maintaining a social licence to operate

Adriatic Metals is committed to creating a lasting positive legacy in the regions where it operates through supporting local people and aiding sustainable socio-economic development. Active and inclusive engagement with the communities associated with our operations is critical to delivering on these commitments.

In 2023, Adriatic Metals received confirmation from the Government of Bosnia and Herzegovina that the Vareš Project was granted the status of Project of Special Importance acknowledging the significance of the Project to the country in terms of its contribution to gross domestic product, foreign direct investment, employment and education.

Case Study:

Refurbishment of railway

Throughout 2023, Adriatic Metals led efforts to reopen a railway line from Podlugovi to Vareš that closed in 1992 during the Bosnian war. Following months of renovations, the line is due to be used for transporting Adriatic Metals' production ore to the wider transport network and for delivery to offtakers.

A ceremony was held in December to mark the reopening of the line with representatives from the country's Ministry of Communications and Transport and the British Ambassador celebrating the achievement.

Community relations and engagement

Developing collaborative local relationships based on honest and transparent communication is at the heart of the community strategy therefore the Company employs a number of channels of communication to gather feedback, understand local needs, and provide clarity on the Company's activities. By maintaining a consistent flow of communication, we aim to keep our community well-informed about the company's developments and build trust.

Throughout 2023, Adriatic Metals maintained an active engagement strategy, conducting a total of 43 meetings in accordance with the communication plan for the year. These meetings were arranged with representatives from local communities, public institutions, and non-governmental organisations. These sessions served as a platform for collaboration, fostering shared efforts in implementing various community-related events.

This commitment to engagement encompassed a wide spectrum of stakeholders. This inclusive approach ensured a clear understanding of the diverse needs and challenges within the community. By actively listening to and involving these stakeholders, we ensured that our initiatives and responses were finely tuned to best serve the collective interests of all involved parties.

Case Study:

"Hands of Vareš Women" Bazaar

One such initiative, the "Hands of Vareš Women" Bazaar, was an event put on to support Adriatic Metals' local female producers. Sponsored by the Company and organised by the Women's Association for Rural Development "Zvijezda," this event provided a platform for women across the Municipality of Vareš to showcase homemade products. Such enterprises empower local entrepreneurs, encouraging their active participation in community growth.

Case Study:
Preserving Heritage and Cultural Identity

The Company recognises the importance of preserving the community's rich cultural heritage. Donations play a crucial role in safeguarding traditional values and historical structures. Adriatic Metals directs contributions towards the protection and preservation of heritage buildings, ensuring that the community's cultural identity remains intact for future generations.

In essence, Adriatic Metals' approach to donations reflects its commitment to sustainability and community enrichment. Each contribution is a strategic investment in initiatives that address immediate needs while laying the foundation for a resilient and flourishing community.

Newsletter outreach

In 2023, Adriatic Metals' newsletter distribution reached a total of 862 community members, contributing significantly to our communication goals with the local community. The purpose of our newsletter distribution goes beyond dissemination of information. It serves as a platform for enhancing community engagement and fostering an interactive dialogue with our stakeholders.

Community donations

Adriatic Metals' commitment to community development is evident in the 38 donations and 4 sponsorships awarded in 2023. These contributions were strategically directed towards events and initiatives closely tied to cultural preservation, sports competitions, and overall community development.

Adriatic Metals employs a rigorous mechanism, guided by specific criteria, to evaluate and approve requests. Formal policies on donations and sponsorships and a process for recommending and approving the support of local causes are in place. Non-governmental organisations, educational institutions, sports clubs, and accomplished athletes are prioritised in line with the Company's commitment to diverse community development aspects.

Case Study:
Championing Sports and Athletes

Adriatic Metals actively sponsors sports clubs and individuals from the local community aspiring to become successful athletes. The Company's support extends beyond the Municipality of Vareš, with a portion of donations and sponsorships benefiting the Municipality of Kakanj. In Kakanj, 4 donations and 3 sponsorships were awarded and the commitment further extends to the Municipality of Breza, where the Volleyball Club for the disabled received a donation.

Land acquisition

Land Acquisition is required for the development of Rupice Infrastructure, the haul road and the tailings storage facility (TSF). Adriatic are committed to aligning with relevant regulation and comply with EBRD's PR5, which encompasses Land Acquisition, Involuntary Resettlement and Economic Displacement requirements, as well as other applicable international best practice standards that guide land acquisition.

In November 2023, an independent audit was conducted on Adriatic Metals' Land Acquisition, Compensation and Livelihood Restoration Plan. The purpose was to ensure that objectives in the initial plan have been met and that the land acquisition exercise complies with EBRD's PR5. The report concluded:

"Generally, the team can be commended for implementing a smooth and fair process. The Auditor was very favourably impressed by the Community Centre in Vareš and the quality of the relationship between staff and locals."

Grievance resolution

Adriatic Metals prioritises the effective resolution of grievances in line with the Environmental and Social Policy of the EBRD and its Performance Requirements. The Company's grievance procedure aligns with EBRD's PR 10, ensuring timely response and culturally sensitive handling.

During the construction phase, Adriatic Metals registered 40 complaints reflecting the dynamic challenges faced. Of the 40 complaints, 36 have been successfully resolved and the company is continuing to address any final complaints in a timely and transparent manner. Open communication with complainants, field inspections, and dedicated efforts ensure thorough understanding and effective solutions.

The community in the Municipality of Vareš is well-informed about our grievance procedure, accessible through various channels including the centrally located Vareš Information Centre, email, telephone, and anonymous submissions. Our commitment to constructive feedback fosters a transparent and positive relationship with our stakeholders.

Public Liaison Committee ("PLC")

To ensure structured, regular communication with the local community, Adriatic Metals established the PLC. It comprises of a group of individuals representing a range of demographics in the locality; members are selected or reappointed every two years and the Chairperson is elected with a mandate of two years. Currently, 22 of its members represent the community and its institutions and the other 5 members are representatives of the Company. The purpose of the Committee is to:

- continually inform the local community about current and future Company activities
- provide a forum for the discussion and sharing of views or concerns,
- allow an opportunity for locals to advise the Company on how best to serve the needs of the community.

Regular PLC meetings have taken place over 2023, which serves as a mediator between the Company and the general public. The committee agenda has focused on some leadership changes with the formal introduction of Alem Logo, who has taken on the role of Executive Director of the Committee, and Matthew Hine, who assumed the position of General Manager of Operations. The PLC discussed a number of construction activities, scrutinising the implementation of electrical and optical cables, while August's meeting provided a platform for stakeholders to engage in meaningful conversations about the geological, environmental, and social considerations associated with exploration drilling. Members had the opportunity to embark on an immersive tour of the VPP at Tisovci, gaining firsthand insights into its operations and processes.

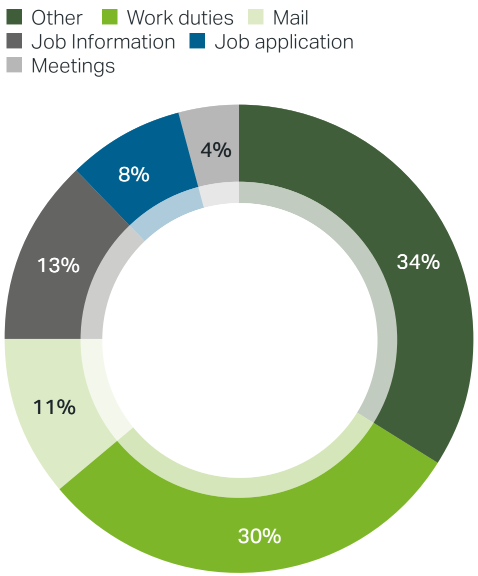
In November, the PLC conducted a comprehensive review of the preceding year, addressing advancements, challenges, and planning for future initiatives.

Vareš Information Centre

During 2023, the Vareš Information Centre played a pivotal role in facilitating communication, recording 2,987 visits—a 26.46% increase compared to 2022. This increase can be attributed to various factors, notably the Company's employment campaign initiated in March 2023 and the heightened interest as the opening of the mine approaches.

Functioning as a central hub for communication, the Information Centre serves as a cornerstone in Adriatic Metals' interactions with the local community. Beyond disseminating crucial information, it operates as a platform for active engagement, allowing stakeholders to seek information and provide feedback. This ensures that the information flow is two ways, reflecting a commitment to understanding and meeting the expectations of local residents.

Information Centre Visits



Building local capacity

Adriatic Metals is committed to conducting its business affairs in an ethical and responsible manner, including through the sourcing of goods and services. This involves fostering the development of new enterprises capable of generating sustainable skills, livelihoods, and capacities.

To actively engage with local suppliers, the company has implemented outreach processes to communicate procurement opportunities and support their capacity building, enabling them to compete for suitable contracts.

In May 2023, Adriatic Metals actively participated in the influential conference on "Secondary Vocational Education in Bosnia and Herzegovina: Best Practices and Future Priorities." Collaborating with the Chamber of Commerce of Sarajevo Canton and the Chamber of Commerce of Zenica-Doboj Canton, supported by the Swiss Agency for Development and Cooperation (SDC) and the German Association for International Cooperation (GIZ), the conference facilitated the exchange of experiences in dual education implementation and practical teaching activities for secondary vocational schools. Emphasis was placed on discussing future activities, providing guidelines, and addressing the legal framework and obligations of stakeholders.

In June, to build on the established relationship with the University of Zagreb and the European Institute for Innovation and Technology (EIT), Adriatic Metals organised visits for 50 students and 6 professors from various continents including Europe, South America, North America, Africa and Asia as part of the international student exchange program. This initiative provided participants with insights into Adriatic Metals' work, mission, vision, and goals, fostering a global perspective on the company's operations.

Case Study: Educational Empowerment

In 2023 Adriatic Metals continued an educational program, "Miner in Underground Exploitation," in the local high school. Aimed at aiding the development and education of young individuals, this program supports employment opportunities within the community. The Company has already awarded scholarships to three generations of students engaged in this educational endeavour, emphasizing the importance of investing in the future through education.

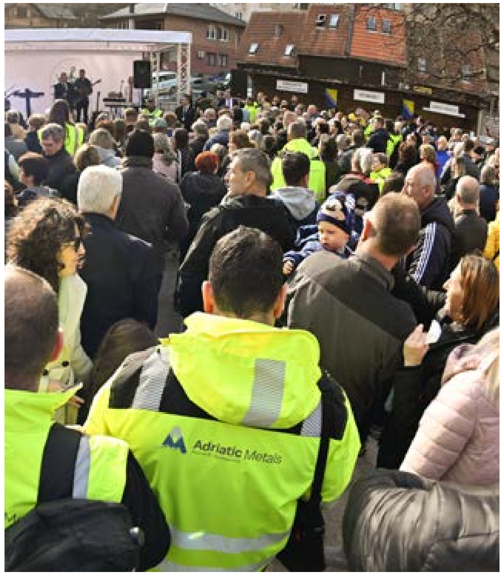
Community health and safety

The community health and safety management plan has been in place for three years and includes strategies to prevent illness and injury, as well as the promotion of healthy lifestyles and behaviours.

Community well-being

Community health and well-being projects, with a particular focus on vulnerable groups, stand as important tools in shaping resilient, healthy, and supportive communities. The Company actively engaged in a range of community well-being initiatives throughout 2023.

By incorporating health education into our community-related initiatives, we aim to instil a sense of awareness and responsibility regarding individual and collective well-being. This approach aligns with our commitment to creating not just a physically healthy community but also one that is aware of the importance of preventive measures and health maintenance.



Case Study:

Breast Cancer Awareness

In November, Adriatic Metals collaborated with the Municipal Council of Vareš to organise an impactful breast cancer awareness lecture, bringing together over a hundred women from local communities at the Municipal Hall, Vareš. Information about the session was spread through posters, radio announcements, and social media platforms, each platform playing a key role in mobilising the community.

The lecture, led by Dijana Jerković, Head Nurse of the Breast Disease Department at Cantonal Hospital Zenica, and a representative of the "Život" Zenica Association, emphasized the association's support for women affected by breast cancer. Dr. Harun Drljević, Head of the Breast Disease Department, delivered the main part of the lecture, covering common types of breast cancer, treatment modalities, and stressing early diagnosis.

Going into 2024 Adriatic Metals will continue to support community well-being and will continue to focus on both non-vulnerable and vulnerable groups within the community.

ADRIATIC FOUNDATION

The Adriatic Foundation ("Foundation") is a charitable initiative established by Adriatic Metals in 2021 to support local communities around the Vareš Project and create a positive long-term legacy.

THE ADRIATIC FOUNDATION

The Foundation has actively engaged in supporting various projects within the Vareš and Kakanj regions. A notable aspect of its initiatives involves financial support for projects implemented by local non-governmental organisations (NGOs). These include; the Center for Ecology Kakanj, the Municipality of Vareš - Co-financing of the Air Quality Station, the Association for the Protection of Animals, amongst others. In March 2023, the Foundation successfully finalised contracts with these organisations, marking the completion of administrative processes and formalising collaboration for environmental projects. This underscores the Foundation's commitment to fostering positive impacts within the communities it serves.

Another significant aspect of the Foundation's efforts is within education through its scholarship program. In 2023, the Foundation distributed scholarships to 29 students from the municipalities of Vareš, Breza, and Kakanj. The scholarships aim to provide financial assistance to talented individuals, fostering their academic growth and contributing to the advancement of the local community.

Key areas of focus in 2023

The 7th Board Meeting held in April 2023 played a pivotal role in shaping the Foundation's mission. During this meeting, a new secretary, Nikola Andrić, was appointed, and the meeting also saw discussions on the solar and sewage project, a potential collaborative effort with the Mozaik Foundation. The project aims to empower local communities in the Vareš Municipality through the implementation of solar energy and sewage management initiatives.

The 8th Board Meeting delved into various agenda items, including plans for an air quality station, renovation projects, updates on solar energy and sewage initiatives, a recycling plant proposal, and evaluations of cooperation projects, including those in the health sector. Detailed discussions were conducted, focusing on project planning, community benefits, financial implications, and strategic partnerships.

The year concluded with the 9th Board Meeting, during which significant changes were announced. Sanela Karić, the Director of the Adriatic Foundation, tendered her resignation. The board unanimously elected Arnela Babić as the new Director. Looking forward, Babić is tasked with preparing a comprehensive plan and strategy for the Foundation's activities and growth in 2024, with a focus on strengthening initiatives, expanding reach, and enhancing community impact.

The board expressed optimism for the Foundation's future under Babić's leadership while acknowledging and appreciating Karić's contributions to the organization.

Funding and independence

The Foundation is managed by a Board of Trustees, which includes four independent representatives from the region surrounding the Vareš Project and meets quarterly to discuss and approve submitted proposals that meet the Foundation's objectives. The Board of Trustees meets quarterly to discuss and approve submitted proposals that meet the Foundation Objectives. The Foundation is entirely funded by the donations of benefactors who pledge their support to enable the financing of new projects, avoiding the possibility of any direct benefit.

In accordance with the law on associations and foundations in Bosnia and Herzegovina, the organisation implements its goals through an independent board of trustees comprised of prominent members of the communities of the municipalities of Kakanj and Vareš. Regular board sessions foster an independent and transparent rapport to drive continual awareness of local opportunities.

New projects

Projects that have received support have focused on taking actions that reduce the negative impact on the environment and promote sustainable practices. These initiatives can bring together both individuals and business to demonstrate ecological responsibility by conserving energy, reducing waste and protecting natural habitats.

Approach to tax and concessionary payments

The operational phase of the Project will have a positive impact on the national economy through payments of value-added tax on supplies, including materials and equipment, fuel, food, and advisory services and through workforce income tax contributions. Project royalties and taxes are paid according to legislation in Bosnia and Herzegovina, at the state and cantonal levels, and then distributed to the municipality level.

In addition to these statutory payments - and to provide a more direct form of community funding - the Adriatic Foundation supports and promotes local sustainable socio-economic development, with a particular focus on the communities associated with Adriatic Metals' operations.

ENVIRONMENTAL IMPACTS

Adriatic Metals is committed to responsibly managing natural resources and strives to operate in a sustainable manner that minimises, mitigates or compensates for adverse impacts and maximises positive environmental and socio-economic impacts.

In its pursuit of sustainability, Adriatic Metals plays a crucial role in supporting the transition to clean energy by producing essential metals required for the European Green Deal, the EU's strategy for reaching the 2050 goal.

In Q3, Adriatic Metals advanced its environmental management efforts, implementing INX Software and Arc GIS. This strategic move involves integrating both platforms to visualize environmental data on maps, enhancing data tracking, visibility, and monitoring plans with warning systems. The combination of INX and Arc GIS will significantly improve our ability to track and predict environmental impacts, providing transformative data insights and clarity. Additionally, these tools enable us to model field sampling and laboratory analysis processes, optimizing our environmental performance effectively during project implementation.

Environmental system updates

The Environmental Social Management System (ESMS) underwent amendments to accommodate changes to accommodate the implementation of a comprehensive traffic management plan for both the construction and operational phases of the Vareš Project, updated designs to align with the five-year sustainability targets, and the initiated ISO 9001 standardisation.

Environmental permit amendments and external audits

Further reinforcing its commitment to environmental standards and in alignment with expectations from Orion, an external environmental audit of the Environmental Social Action Plan (ESAP) was conducted by local audit company Ceteor.

Simultaneously, an Environmental Social Update Report was produced, reflecting the final design considerations and anticipated impacts of scheduled production. Due to these changes, Adriatic Metals amended the environmental permit for Rupice in Q1, a change that secured approval from the Federal Ministry of Environment and Tourism. Management plans within the ESMS will be updated to incorporate mitigation and monitoring measures corresponding to any changes identified during this process.

Comprehensive monitoring during construction

At our operations, regular monitoring takes place, tracking all environmental parameters during the construction phase. In Q2 the following monitoring analysis was completed:

- **Groundwater, Wastewater, and River Water:** Thorough analysis was conducted to assess the quality of groundwater, wastewater, and the Bukovica river water.
- **Water Treatment Plant Output:** Examination of the output from the water treatment plant at Rupice, now fully operational.
- **Additional Wastewater Monitoring:** Stringent measures were taken to monitor and uphold environmental standards related to wastewater management.
- **Air Quality Monitoring:** Comprehensive assessments were conducted at seven locations to gauge the impact of our operations on atmospheric conditions.
- **Noise Monitoring:** An evaluation at nine locations addressed concerns related to the auditory environment.

Climate change mitigation

In recognition of the global challenge posed by climate change, Adriatic Metals supports the goals of the Paris Agreement. Adriatic Metals is committed to minimising its contribution to greenhouse gas emissions and in 2023 commenced planning to address the physical risks associated with climate change on its operations. In alignment with best practices, Adriatic Metals has adopted the recommendations of the TCFD, ensuring a comprehensive and transparent approach to managing the impacts of climate change. For more information, please refer to page 64

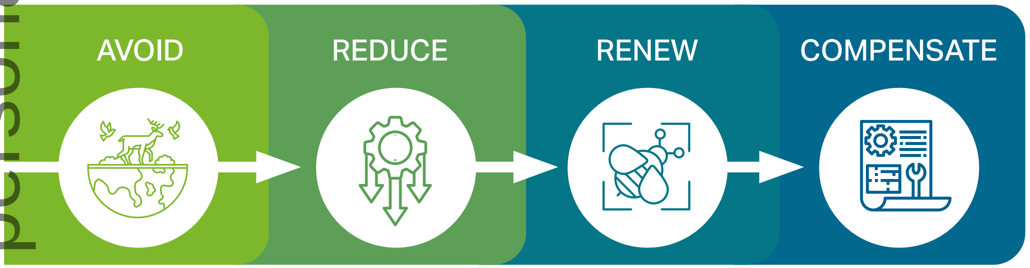
BIODIVERSITY AND REHABILITATION

Adriatic Metals is aware of the importance of preserving biodiversity, the need for the proper management of protected areas and integrated land-use planning. The Company addresses potential adverse impacts on biodiversity by applying a mitigation hierarchy that aims to achieve 'no net loss' of biodiversity or critical habitats and, where possible, to contribute to a 'net gain' of biodiversity as a result of its activities.

Biodiversity Action Plan (BAP)

The BAP serves as a key component of the ESMS, guiding the company's approach to project development. Through detailed field and office research, the BAP incorporates measures aligned with international and national standards, ensuring a safe, sustainable, and socially responsible project development approach.

The Action Plan for Biodiversity Conservation follows a structured hierarchy of priority actions: Avoid, Reduce, Renew, and Compensate. This approach guides project activities to prevent or minimise biodiversity loss. Several strategic measures have been implemented, including the avoidance of project elements in protected natural areas, preservation of key habitats, and comprehensive plans for the compensation and restoration of damaged natural habitats post-construction. The action plan defines measures for the appropriate alignment of the project with the requirements of the previously mentioned international and national legislation as well as with the EBRD performance requirements (PR6) on biodiversity sustainability related to the areas of critical habitat and priority characteristics of biodiversity or qualified species for any of these areas.



One notable aspect of the BAP is its commitment to an annual monitoring and evaluation process. External experts assess biodiversity status and changes, and adjustments are made to the BAP based on monitoring results, ensuring ongoing alignment with legislative requirements and best practices. In 2023, the BAP was updated, reflecting alterations in haul road design and incorporating findings from the 2022 research.

In addition, several strategic measures were implemented into the BAP, including:

- **Avoidance of Protected Areas:** Relocating project elements outside protected natural areas and resources.
- **Preservation of Key Habitats:** Measures to protect habitats of species with conservation status or those classified as Priority Biodiversity Characteristics (POB).
- **Compensation Planning:** Developing plans for the compensation and restoration of damaged natural habitats post-construction.

"Green Plan" for afforestation

In June, Adriatic Metals established a comprehensive "Green Plan." The initiative involves afforestation and greening of the haul road area with indigenous tree species. Anticipating the planting of approximately 2,500 seedlings, the plan is forecasted to reduce the company's carbon footprint by 55 tonnes in its initial phase. This initiative, woven into Adriatic Metals' BAP, embodies the company's commitment to environmental preservation and sustainable practices.

Water as a shared resource

Adriatic Metals places a strong emphasis on the responsible and efficient use of water, adopting robust water governance measures that encourage collaboration with other water users. The company achieves 100% recycled water at the processing plant and is actively working towards increasing the amount of water recycled within the underground mining operations. Systems for wastewater treatment and acidic rock drainage are in the detailed design and commissioning phases.

Mitigation measures have been implemented to ensure that residual impacts to surface water and groundwater remain insignificant. These include a commitment to no discharge effluent from the Vareš Processing Plant, the establishment of site-wide drainage and settlement ponds, active treatment of contact water contaminated by acid rock drainage, and the implementation of a Water and Wastewater Management Plan.

The quality of water within the surrounding hydrological system is continuously monitored during both the construction and operational phases to safeguard against potential pollutants entering the drainage system. In May, two water inspection site visits, conducted by cantonal and federal authorities, verified compliance, and in June, the Federal Inspection for Environment visited Rupice. All inspections were passed successfully, indicating full compliance with environmental standards.

Tailings management

Adriatic Metals' commitment to responsible tailings and waste management is grounded in adherence to national legislation and international codes of best practice. Tailings, as a by-product of mining, are meticulously managed to ensure minimal environmental impact.

Waste tailings from Adriatic Metals' processing will be de-watered and filtered prior to being transported via truck to the Rupice mine for use as backfill with crushed waste rock and cement in the mine, as required.

Depending on the volume of the ore processed, it is predicted that approximately 39,000 tonnes of tailings per month will be generated. Excess tailings that are not required for backfill will be disposed of in the new dedicated tailings storage facility (TSF).

The TSF has a 1.6 Mm^3 capacity and will be lined and designed to ensure that any rainwater or snow that has come into contact with the tailings and any drainage from the tailings will be collected in a lined pond and returned to the process plant as process water. Approximately 10% of tailings is water, which will be collected and recirculated to processing plant instead of new freshwater intake.

TCFD

Introduction

Throughout 2023, Adriatic Metals progressed its integration of the recommendations of the TCFD into its operations. This has been a critical year for the business marked by the construction of the Vareš and Rupice operating sites.

Adriatic Metals' Environmental and Social Impact Assessment (ESIA), aligned with the European Bank for Reconstruction and Development (EBRD) standards, remains a cornerstone of its ambitions going forward. It encompasses analyses of physical and transitional risks and opportunities, providing a comprehensive framework that continues to guide the business.

Recognising the need to address identified impacts, particularly those arising from water management, the company took action based on sustainability consultants' assessments. Given the original design's potential water consumption intensity, adjustments were made to mitigate both direct and indirect financial risks in the face of an increasingly water-stressed environment. Details of the substantial reduction in water usage are elaborated below and throughout this annual report.

The company's approach to Governance of climate risk has remained constant over the year. Both the board and management teams are actively engaged in climate-related matters, commissioning a comprehensive climate risk report. This report delves into National Determined Commitments (NDC), ongoing and forthcoming legislation affecting the business, carbon-related taxes like the EU's Carbon Border Adjustment Mechanism (CBAM), and relevant litigation.

Robust risk management processes, ingrained with climate-related considerations, continue to underpin the company's operations. In addition, a more in-depth assessment of climate-related risks and opportunities is expanded upon in our Strategy section, reflecting the company's commitment to a thorough understanding of the landscape.

The business is diligently capturing greenhouse gas (GHG) emissions data. Once the mine and processing plant are fully operational, definitive Scope 1 and 2 emissions targets will be established, further aligning the company with its sustainability objectives.

Bosnia's operating context

Bosnia and Herzegovina (BiH), a diverse lower middle-income country in the Western Balkans, must navigate a challenging operating context marked by complex topography, economic reliance on industries and decentralised governance structures as it strives for sustainable development.

Transitional factors

Net-zero

The country is a signatory of the Sofia Declaration of the Green Agenda for the Western Balkans, which commits to work with the European Union to reach net-zero emissions across the continent by 2050.

The Sofia Declaration includes a commitment to try to decrease and gradually phase out coal subsidies while respecting state aid rules. It also agreed to "actively participate' in the "Coal Regions in Transition in the Western Balkans and Ukraine" initiative, through which the European Commission and partners such as the World Bank aim to help countries in the region shift away from coal to a carbon-neutral economy.

Power

Coal forms the bedrock of Bosnia and Herzegovina's power generation capacity, which sits at roughly 2 gigawatts. There has been investment into the asset base to modernise it. Renewable energy capacity in Bosnia and Herzegovina is minimal, but includes wind, solar, biomass and small hydro. In recent years, two wind farms were commissioned and brought on stream, providing around 100 megawatts of installed capacity.

Carbon price mechanism

Bosnia and Herzegovina plans to implement a CO_2 pricing and trading system by 2026, as the country aims to avoid paying the European Union's carbon border tax. The EU will apply a Carbon Border Adjustment Mechanism from 2026 on energy-intensive products (such as iron, steel, aluminium, cement, fertiliser) and electricity from countries without a national carbon pricing scheme.

Nationally Determined Contributions (NDC) commitments

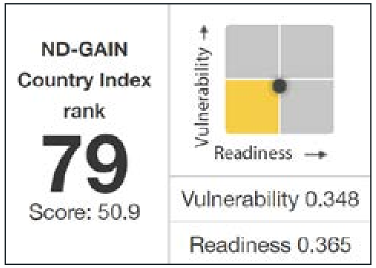
Bosnia and Herzegovina's latest NDC, submitted in 2021 aims to reduce its GHG emissions by 33% by 2030 versus a 1990 baseline year, and by 62% by 2050. Decarbonisation could be accelerated if Bosnia and Herzegovina receives international financial and technological assistance, in particular to decarbonise the mining sector.

Physical climate risk assessment

Bosnia and Herzegovina maintains a diverse climate profile owing to its expansive size, varied topography, and unique landscape. The country encompasses temperate continental climates in the north and central regions, colder sub-mountainous and mountainous climates, and warmer climates along its coastline. The influence of the Adriatic Sea and the Dinarides Mountains, running parallel to the coast, plays a pivotal role in shaping these climatic zones.

The southern region of Bosnia and Herzegovina receives abundant sunlight, contributing to its distinctive Mediterranean climate in the coastal and lowland Herzegovina area. This climatic diversity is a key factor in Bosnia and Herzegovina's biodiversity, ranking among the largest in Europe. The country experiences three distinct geological and climatic regions: the Mediterranean, Euro Siberian-Bore American, and the Alpine-Nordic.

To assess the potential impact of climate-related risks on Adriatic Metals, the company conducted a desktop-based evaluation of the physical risks. This involved utilising the ND-Gain Country Index and climate risk reports from the University of Notre Dame. This tool offers insights into a country's vulnerability and preparedness for climate change risks, aiding governments, businesses, and communities in prioritising investments for a more effective response to global challenges.



The assessment considers a country's vulnerability across six crucial life-supporting sectors: food, water, health, ecosystem services, human habitat, and infrastructure. It evaluates the nation's exposure, sensitivity, and capacity to adapt to the adverse effects of climate change. Simultaneously, readiness is gauged based on the country's ability to convert investments into adaptation actions, considering economic readiness, governance readiness, and social readiness.

According to the tool, Bosnia and Herzegovina's low vulnerability score and low readiness score places it in the lower-left quadrant of the ND-GAIN Matrix. Relative to other countries, its current vulnerabilities are manageable but improvements in readiness will help it better adapt to future challenges.

Key trends

Cmip5 Ensemble Projection	2020-2039	2040-2059	2060-2079	2080-2099
Annual Temperature Anomaly (°C)	+0.38 to +2.4 (+1.31)	+1.0 to +3.5 (+2.22)	+1.8 to 4.8 (+3.40)	+2.7 to 6.4 (+4.44)
Annual Precipitation Anomaly (mm)	-18.0 to +13.03 (−1.46)	-23.0 to +14.9 (−1.64)	-26.6 to +14.3 (+3.73)	-30.1 to +13.3 (−7.73)

Table 1: Data snapshot: CMIP5 ensemble projection

Note: The table shows CMIP5 ensemble projection under RCP8.5. Bold value is the range (10th–90th Percentile) and values in parentheses show the median (or 50th Percentile).

Temperature

Historically, winter temperatures range from -6.0°C to 6.2°C, while summer temperatures vary from 9.8°C to 24.7°C. However, the past two decades have witnessed disruptions in the seasonal onset and distribution of rainfall, leading to unexpected flooding, periodic droughts, and elevated temperatures. Bosnia and Herzegovina faces evolving physical climate risks, emphasizing the need for adaptive strategies to address the changing patterns and potential impacts on the environment and communities.

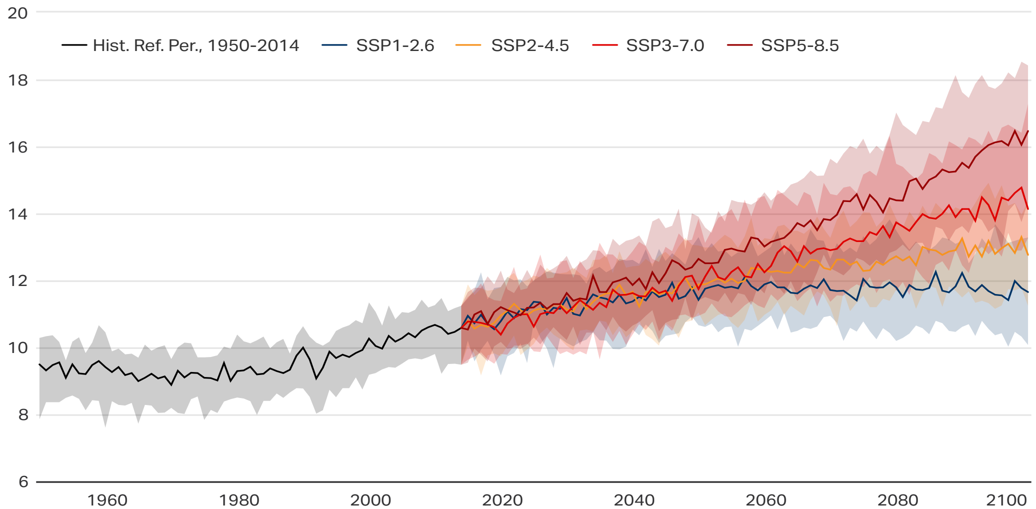


Figure 8: Projected Average Mean Surface Air Temperature - Bosnia and Herzegovina; (Ref. Period: 1954-2014), Multi-Model Ensemble

Temperature - continued

Widespread temperature increases are anticipated across Bosnia and Herzegovina, particularly in coastal and inland lowland regions during the summer months. This trend necessitates substantial and costly adaptation investments. The rate of temperature rise is expected to surpass the current adaptive capacity of the country's distinctive ecological systems, posing a threat to high mountain and lowland oak forest areas. Such adverse impacts may lead to irreversible damage and the potential extinction of numerous endemic species.

The "optimistic" scenario (SSP1 RCP2.6) represents a future that limits the rise in average global surface temperatures by 2100 to 1.3°C to 2.4°C compared to pre-industrial levels. SSP1 is characterised by sustainable socioeconomic growth: stringent environmental regulations and effective institutions, rapid technological change and improved water use efficiencies, and low population growth.

The "business as usual" scenario (SSP3 RCP7.0) represents a middle-of-the-road future where temperatures increase by 2.8°C to 4.6°C by 2100. SSP3 is a socio-economic scenario characterized by regional competition and inequality, including slow economic growth, weak governance and institutions, low investment in the environment and technology, and high population growth, especially in developing countries.

The "pessimistic" scenario (SSP5 RCP8.5) represents a future where temperatures increase up to 3.3°C to 5.7°C by 2100. SSP5 describes fossil-fuelled development: rapid economic growth and globalisation powered by carbon-intensive energy, strong institutions with high investment in education and technology but a lack of global environmental concern, and the population peaking and declining in the 21st century.

Water stress

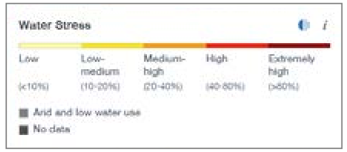
Water risks are an urgent global challenge.

Adriatic Metals employed the World Resources Institute's online tool, Aqueduct, a global water risk mapping tool which aims to help companies, investors, governments, and other users understand where and how water risks and opportunities are emerging worldwide.

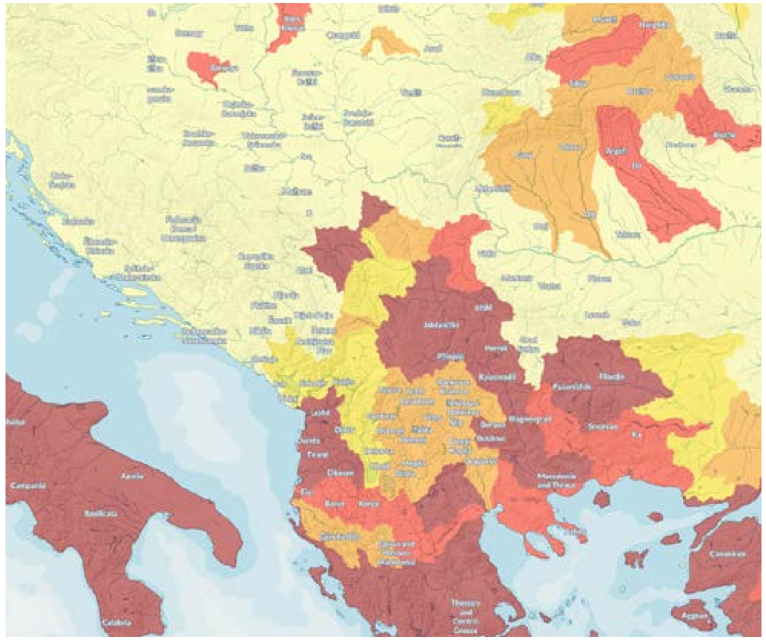
In an optimistic scenario, analysis found that the country's baseline water stress ranking remains low risk, however, the risk increases to low-medium into 2030 and 2050. Based on these projections, the potential operating and financial impact to Adriatic is considered low at this point in time.

Precipitation

The amount and distribution of precipitation has already changed across Eastern Europe. While there is significant inter-annual and decadal variability, under the pessimistic scenario, monthly precipitation is projected to steadily decrease through the end of the century; with an average annual reduction of 7.7 mm by the 2090s. Based on these projections, the potential operating and financial impact to Adriatic is considered low at this point in time.

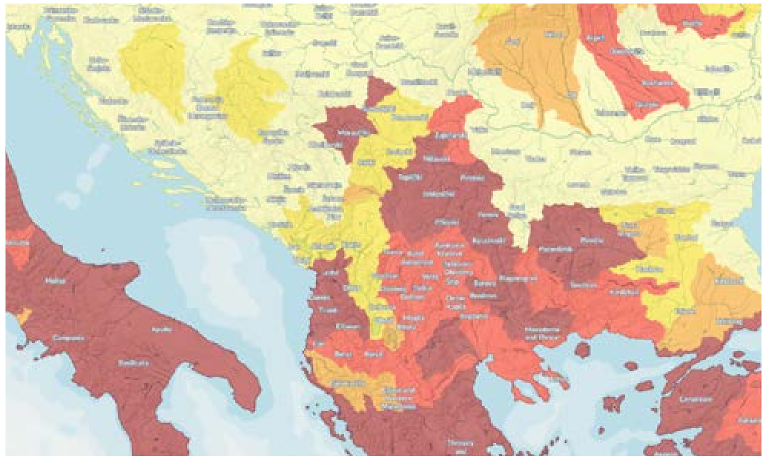


2023 Low Risk



2030 Low-medium risk

2050 Low-medium risk



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Case Study:

Water strategy in action

The Vareš Project's initial design envisioned it as a significant water consumer, as explicitly documented in our ESIA. Recognising the potential environmental impacts and climate-related financial risks and opportunities associated with this design, we embarked on a comprehensive evaluation of the situation, focusing on the present and future implications for our business.

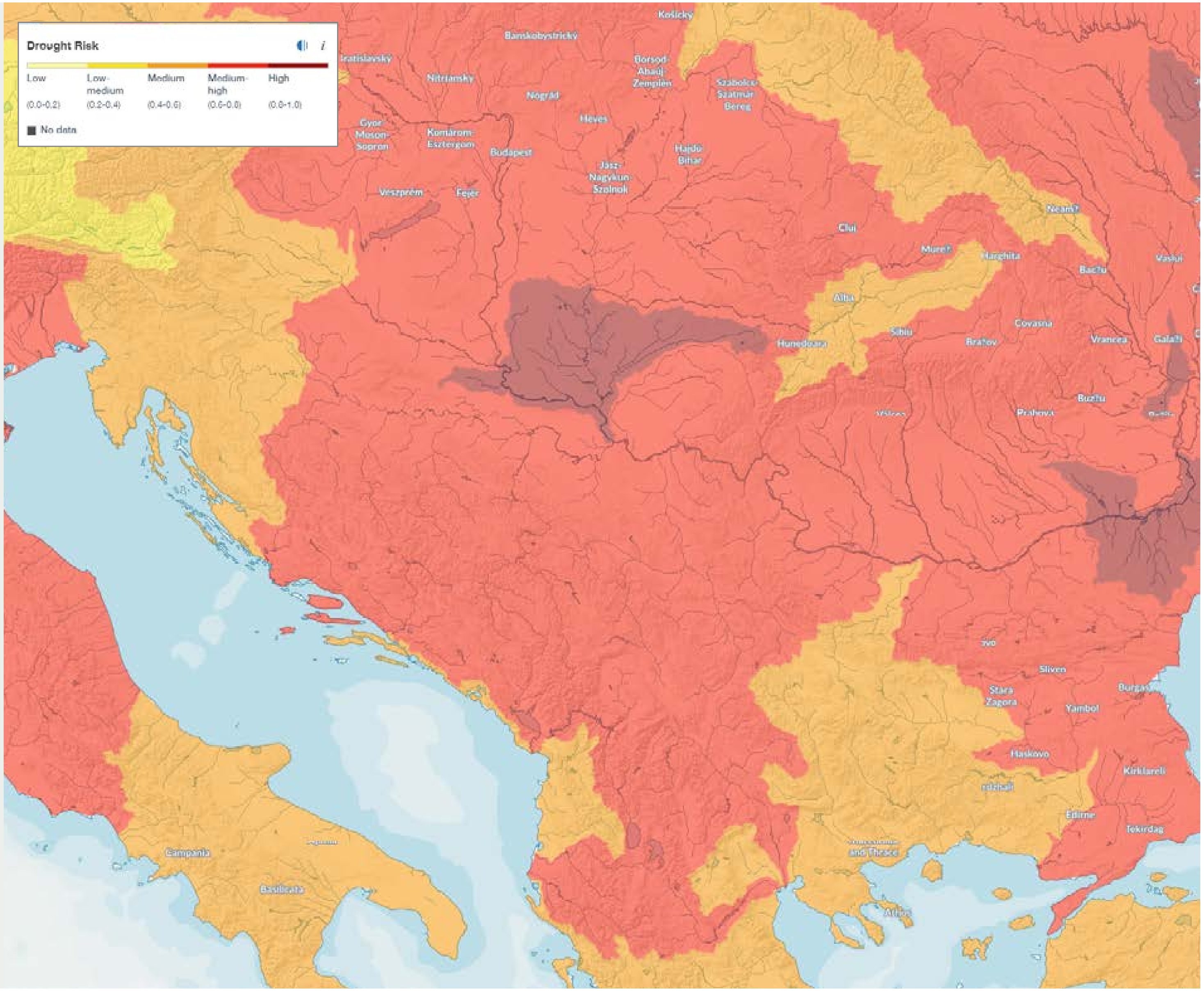
Revisiting the World Resources Institute's Aqueduct platform and complemented by location-based assessments from our 2022 published ESIA, we identified drought risk as an escalating concern in Bosnia and our specific operating region.

This analysis brought to light potential water access risks for both the business and the processing plant, along with community stressors that could impact future water access and associated costs.

Responding to this challenge, our sustainability team actively engaged throughout 2022 and 2023. They presented a proposal to the management and board, advocating for the construction of a water treatment plant on-site as a strategic move to mitigate water management risks.

Currently undergoing operational testing, the water treatment plant will play a crucial role in treating mine and drainage water before safely returning it to the Vrućci Potok River. The system also includes storage units to gather treated drainage water and wastewater, serving operational needs and significantly reducing reliance on traditional water sources.

Notably, Adriatic Metals stands as the sole mining operation in Bosnia and Herzegovina with a dedicated mine water treatment plant, reflecting our commitment to innovative and sustainable water management practices.



SERBIA'S OPERATING CONTEXT

Located in southeastern Europe, Serbia's terrain is highly varied, with fertile plains to the north, limestone ranges and basins to the east, and hills and mountains dissected by river valleys to the southeast.

Over the past two decades, droughts, floods, exceptionally harsh winters and other weather-related extreme events have caused major physical damage, financial losses and even deaths, with significant impacts on Serbia's economy, especially in the agricultural sector.

Transitional and physical factors

Net-zero goal and strategy

Serbia does not have an official net-zero greenhouse gas emissions target but aims to reach renewables share of 40% in final energy consumption by 2040. Recent assessments of its 2013 renewable energy action plan, suggest that investment is behind schedule.

In its 2022 NDC, Serbia set an emissions reduction target of 13.2% compared to 2010 level by 2030.

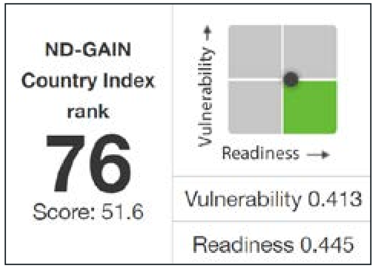
Power

In 2021, some 62% of Serbia's generation came from coal, while 30% came from large hydro. Generation from renewable sources of power, however, has been picking up in recent years. Serbia is not subject to the EU carbon price, unlike its neighbouring countries, the country benefits from exporting cheap coal power to EU countries.

Physical climate risk assessment

Climate change projections indicate that Serbia and the Western Balkans face a high probability of continuing temperature increases, along with more frequent and prolonged droughts and wildfires.

Adriatic Metals once again drew upon the ND-Gain Country Index and climate risk reports from the University of Notre Dame to assess the potential impact of climate-related risks on the Company in Serbia.



According to the tool, Serbia's low vulnerability score and high readiness score places the country in the lower-right quadrant of the ND-GAIN Matrix. Adaptation challenges still exist, but Serbia is well positioned to adapt. Serbia is the 99th most vulnerable country and the 82nd most ready country.

Enterprise-wide considered climate risks and opportunities

We recognise that being a mining business, which is considered energy intensive, may present certain climate-related risks to our business, we fundamentally believe that the business itself, which is to produce metals that can be used to support both the energy and transportation transition provides significant opportunity.

We consider climate-related risks under two broad headings: physical risk and transition risk and recognise climate litigation as an emerging third risk category.

Physical risk can be divided in to two types: acute risks from increased severity of extreme weather events such as storms and floods and increased incidence of wild-fires and other climate-related emergencies; and chronic risks from changes in precipitation patterns, extreme variability in weather, rising mean temperatures, rising sea levels and increased incidence and intensity of droughts.

Transition risk meanwhile refers to the actual and potential impacts of risks associated with the energy transition on our business, strategy, and financial planning. These risks are considered under four headings suggested by the TCFD – Policy and Legal, Technology, Market and Reputation – and is the approach taken in carrying out our own climate risk assessment.

The physical and transition risks we have identified, based on our assessment of their impacts on our Company, and the actions we are taking to mitigate these risks, are summarised in the table below. We have assessed potential impact against short-, medium, and long-term time horizons which we define as up to two years, between two and ten years, and ten years and beyond respectively.

Risks and opportunities		Type	Potential impact on Adriatic Metals	Timeframe	Adriatic Metals controls and mitigants
TRANSITION	**Market**	**Demand for our products**	Meeting Net Zero ambitions, as set out in the Paris Agreement, requires global shift in energy generation, storage and utilisation. Our primary products can be used to support the growing EV market, renewable and low carbon fuel in power generation, and in energy storage and energy grid expansion. We consider the net effect to be positive for our silver, zinc, lead and copper product streams. Consequently, and irrespective of the current offtake agreement that we have in place, we believe this will support revenue generation for the business.	Short Term, Medium Term & Long Term	• Responsible production of our metals
		Increased cost of capital	Restricted availability of debt and/ or equity financing for heavy emitting industries could impact on the ability to fund acquisitions and/or to fully develop existing assets in an optimal timeframe.	Medium Term & Long Term	• Deliver transparent, robust GHG emissions disclosures • GHG mitigation incorporated into corporate funding model, such as our commitment to meet EBRD criteria • Utilising management expertise, consider sustainability-linked financing initiatives, where cost of funds is linked to ESG outcomes
	Policy	**Cost of carbon**	Bosnia-Herzegovina intends to implement a system for CO_2 pricing and trading by January 2026, as the country aims to avoid paying the European Union's carbon border tax. Indeed, the EU will apply a Carbon Border Adjustment Mechanism (CBAM) from 2026 on energy-intensive products (initially applying to products such as iron, steel, aluminium, cement, fertiliser) and electricity from countries without a national carbon pricing scheme. The impact of such this mechanism will impact financial performance. The business may consider increasing its capex budget to reduce its emissions profile, by increasing investment into its own renewable energy power generation. The business may also consider strategic partnerships with renewable energy power generation partners that would require investment.	Short Term, Medium Term & Long Term	• Continue to assess the operational emissions footprint of the business and to identify credible investment opportunities to decarbonise • Maintain ongoing monitoring of policy and legislation development in countries of interest.
		Increased regulation and reporting requirements	The LSE is amongst the global leaders for ESG and climate-related disclosure. The Company also operates in Bosnia and Herzegovina and Serbia, who possess differing regulatory maturity relative to climate change. The failure to meet the highest of these expectations may result in fines, impacts to reputation and future commercial	Short Term, Medium Term & Long Term	• Maintain transparency relating to all ESG issues. • Comply with the highest reporting standards. • Ensure continued engagement with external stakeholders.

Risks and opportunities		Type	Potential impact on Adriatic Metals	Timeframe	Adriatic Metals controls and mitigants
TRANSITION continued	**Technology**	**Cost of GHG emissions reduction**	Adopting technology to reduce emissions will have implications for capital and operating expenditure	Short Term & Medium Term	• We approach the decarbonisation assessment of our operations in a strategic way, led by our Sustainability Department, with cost-effective reduction strategies being of key consideration
	Reputation	**Changes in consumer preferences**	Increasing expectations for companies to define a clear net zero strategy could mean the Company is at risk of being associated with the negative impacts of climate change	Short Term, Medium Term & Long Term	• To define our net zero strategy, setting and communicating interim decarbonisation targets.
	Legal	**Increase in legal cases being brought against heavy emitting industries**	With the increased appreciation for the link between GHG emissions and physical climate impacts, and a growing body of regulation, raises the risks of climate-related litigation. Such litigation would impact financial performance directly, with reputational issues potentially impacting cost of access to capital.	Medium Term & Long Term	• Robust compliance management and regulation scanning • Increased awareness, training and skillset development amongst operating teams, management and board

We have conducted assessments to consider the way in which the climate is expected to vary over the life of the mine based on local projections for Bosnia Herzegovina. The projections have been used to help undertake a vulnerability assessment as to potential risks to the project itself from changing climatic patterns.

Risks and opportunities		Type	Potential impact on Adriatic Metals	Timeframe	Adriatic Metals controls and mitigants
PHYSICAL	**Chronic**	**Drought, variable rainfall patterns and water stress**	According to Aqueduct, the World Resources Institute online tool, drought and water stress are anticipated to increase in Bosnia over the coming decades, based on current science and environmental forecasts. Consequently, this may drive direct increases in opex costs for the business to acquire an increasingly precious resource. Indirectly, operations may be affected by local communities as businesses consuming large quantities of water, or those considered to be water intensive, contend with protests.	Medium Term & Long Term	• The business has taken this issue incredibly seriously during the construction and commissioning phase and provides detail in a case study below as to how it has reduced its reliance on access to water. • We have radically redesigned our water management processes at Vareš, dramatically reducing water requirements. • Communicate our water management strategies and utilisation to our stakeholders, and increasingly to local stakeholder groups to ensure true appreciation of ADT's approach to precious resource.
		Increased ambient temperatures	According to the World Bank's Bosnia and Herzegovina Climate Risk Report, Bosnia and Herzegovina increasing temperature anomalies under the IPCC's RCP 8.5 – business-as-usual, high emissions scenario. Increased peak temperatures could adversely affect the workforce through dehydration, heat stroke etc., which may affect productivity levels that could impact financial performance, and cause plant and machinery to overheat impacting maintenance schedules, as well as opex costs. Additionally, most of the Project area is surrounded by forestry, increased temperatures may result in increased risk of forest fires.	Long Term	• Clearly defined occupational HSSE policies and procedures that inform personnel of the correct working practices through seasons. • Clearly defined equipment maintenance programmes. • Clearly defined management practices and systems for the storage of explosives and fuel and taken active steps to remove possible fuel and ignition sources, particularly during intense periods of dry weather.

Risks and opportunities		Type	Potential impact on Adriatic Metals	Timeframe	Adriatic Metals controls and mitigants
PHYSICAL continued	**Acute**	**Flooding, heavy rainfall**	Localised flooding during heavier periods of rainfall, as well as project design may impact the business's ability to manage waterfall. This could be particularly acute at our Rupice mining operations where surface runoff may flow through our declines and other infrastructure channels, such as ventilation shafts, affecting operating activity. Consequently, impacts to operations may affect financial performance, and require increases in opex and capex to address water management issues. An increase in intensity and variability of rainstorms may result in unauthorised discharge into local water sources, which might incur violations of environmental permits.	Short Term, Medium Term & Long Term	• Initial hydrology and water management consideration were assessed within the Prefeasibility Study and ESIA, which have continued to evolve as the business has progressed through the construction phase. In satisfaction of all regulatory requirements, the water management and physical infrastructure capacity at Rupice was materially upgraded during construction phase to reduce water handling risk, including at the TSF. • The business will continue to assess water supply security as well as more detailed water vulnerability assessments. • The business has an emergency response process in place to respond to flood risk.

COMPLIANCE INDEX

Under FCA Listing Rule 9.8.6 6/14.3.27R, Adriatic is required to report on a comply or explain basis against the TCFD Recommendations and Recommended Disclosures in respect of the financial year 31 December 2023. The climate-related disclosures are consistent with the four pillars and 11 recommendations. The table below details our consistency with the recommendations and status and planning regarding the recommendation where we do not currently comply.

This Compliance Table provides information as to the consistency of Adriatic Metals' reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
We understand that climate change resilience is integral to the long-term success of our organisation. We have used the TCFD recommendations to further develop our climate-related strategies, programmes, and reporting. While our reporting is not entirely consistent with the TCFD requirements at this stage, we will focus on advancing our processes and embed the recommendations within our management structure.

Governance	Compliance	Page reference
Describe the board's oversight of climate-related risks and opportunities	Compliant	Managing Sustainability [page 51] Risk Management Section [page 40] Sustainability Committee Report [page 93] Sustainability Committee Charter [link online] Climate Change Policy [link online]
Describe management's role in assessing and managing climate-related risks and opportunities	Compliant	Managing Sustainability [page 51] Climate Change Policy [page 51]

Strategy	Compliance	Page reference
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Compliant We have detailed a comprehensive list of risks and opportunities for the business to manage.	Table above Link to ESIA
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Compliant	Table below
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Partial compliance Qualitative	

Risk Management	Compliance	Page reference
Describe the organisation's processes for identifying and assessing climate-related risks	Compliant	Link to Risk Management section of the annual report
Describe the organisation's processes for managing climate-related risks Describe the organisation's processes for managing climate-related risks	Compliant	Link to Risk Management section of the annual report

Metrics and targets	Compliance	Page reference
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Compliant	GHG / SECR report
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Partial compliance	GHG Target date 2026
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Pertial compliance	Targets can only be set once the asset is operational and actual GHG emissions data, including a true appreciation of emissions sources, is understood. Target date 2026

STREAMLINED ENERGY & CARBON REPORT

Scope 1 and Scope 2 GHG emissions for projects are calculated and reported as part of our SECR and as part of CDP.

The Company has assessed its energy fuel consumption and determined that energy consumption is above the 40 MWh threshold set by the SECR for reporting in the comparative period and, as such, the Group reports its greenhouse gases on an annual basis in tonnes of carbon dioxide equivalent resulting from the combustion of fuel (direct Scope 1 emissions) and from the purchase of electricity (indirect Scope 2 emissions).

Methodology

Adriatic Metals has sourced consumption information from utility bills, fuel expenditure and internal records to produce a database of consumption for the reporting period. GHG emissions have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based method to determine Scope 1 and Scope 2 emissions using the latest emissions factors from recognised public sources that are applicable to the various jurisdictions in which the group operates. The Group's carbon emissions disclosure has been undertaken in accordance with the UK Companies Act 2006.

Emissions information for the UK covers the head office in London. Emissions disclosures for Europe cover two mining operations: the Vareš Project in Bosnia and the Raska Project in Serbia. The only change from the previous report is the closure of a small office in Jersey.

Greenhouse gas emissions

In 2023, emissions increased by 93% compared to reported figures in 2022. This is primarily due to the increased Scope 1 use of fuel for transport and stationary generation to support mine operations.

Reduction targets

The Company has completed a streamlined GHG inventory of its 2022 Scope 1 and Scope 2. This showed that in 2022 64% of emissions were from Scope 1 and 2 emissions.

The Company considers that a more fulsome appreciation for the most material climate-related risks will be understood once the mine and Processing Plant are operational and has committed to the following GHG reduction targets and strategies.

- A targeted science-based reduction in combined Scope 1 and 2 emissions by 2035, from a 2025 baseline (i.e. from the first full year of concentrate production).
- Develop a progressive Net Zero strategy during 2024 and 2025, with clearly defined measures for emission reduction and shape the boundaries of an eventual effective net zero target. This process will include Scope 1, 2 and 3 (location and market-based evaluations) and result in a published strategy document with detailed plans and targets, in due course.
- As part of the Net Zero journey the company also commits to monitoring its emissions reductions through the SBTi processes permitting external verification of its sustainability strategy implementation.

The following table outlines the metrics used by Adriatic to assess climate-related risks and opportunities in line with its strategy and risk management process.

		Unit	2023	2022
1. TOTAL SCOPE 1 AND SCOPE 2 EMISSIONS			**2,448**	**1,269**
Scope 1		tCO_2e	2,256	966
Scope 2		tCO_2e	192	303
2. EMISSIONS BREAKDOWN (LOCATION BASED)				
UK				
Scope 2	Indirect emissions from electricity	tCO_2e	2	2
Global (including UK)				
Scope 1	Transport Emissions	tCO_2e	819	45
	Process emissions	tCO_2e	217	NA
	Stationary generation	tCO_2e	1,220	921
Scope 2	Indirect emissions from electricity	tCO_2e	192	303
3. EMISSIONS AND OFFSETS (MARKET BASED)				
Scope 2	Global market-based emissions	tCO_2e	240	NR
Scope 2	Avoided emissions due to renewable facility	tCO_2e	10	NR
NA	Offsets from tree planting	tCO_2e	11,968	NR
4. GLOBAL ENERGY USE				
Total energy use		**kWh**	**9,360,455**	**3,733,066**
Scope 1	Liquid fuels	kWh	8,500,308	3,464,862
	Process chemicals	kWh	505,688	28,904
Scope 2	Electricity	kWh	354,459	239,300
5. PARAMETERS				
Number of FTEs			296	145
Electricity from solar generation		kWh	17,122	18,235
Percentage of consumed energy from renewable source			4.83%	7.62%
6. INTENSITY MEASURES				
Scope 1 and 2 GHG emissions per FTE		tCO_2e/person	8.27	8.75

Key: NR - Not reported, NA - Not Available

Energy consumption

In 2023, total energy use was up by 150%, driven primarily by a 145% increase in the quantity of liquid fuels used for stationary generation and transportation. Process energy has been calculated using the relative efficiency of Ammonium Nitrate compared to TNT, resulting in the use of 505,588 kWh of energy. Figures for 2022 have been restated on the same basis, resulting in a 124% increase in process energy from mining operations.

Energy efficiency actions

In accordance with EBRD's PR3, Adriatic Metals has worked to integrate best available techniques and Good International Industry Practice ("GIIP") to optimise resource use and efficiently prevent and control release of pollutants into the environment. The Company takes action to ensure its future operations are as energy efficient as possible during the design and construction phases of its projects. The Vareš project is now moving to the end of construction and mining and processing are the primary activities that use energy in the current phase of construction, along with fuel for powering fleet operations and stationery and mobile generators.

Renewable energy and offsets

The Company has installed a 32.4 kWp roof-mounted solar PV array at the Vareš Processing Plant administration building. In 2023, this produced approximately 17,122 units of electricity, avoiding 19 TCO_2e in market-based emissions from the supplier. The Company also registered on the TvojCO_2 platform. This is the first website in Bosnia and Herzegovina to facilitate offsetting an organisation's carbon footprint by investing in activities that can result in the absorption of CO_2 from the atmosphere or contribute to the reduction of CO_2 emissions. The Company invested in a project to buy 6,800 beech seedlings which will be planted in the areas of Travnik, Novi Travnik, Bugojno, Busovača, and received a certificate for 11,968 tCO_2e of offsets.

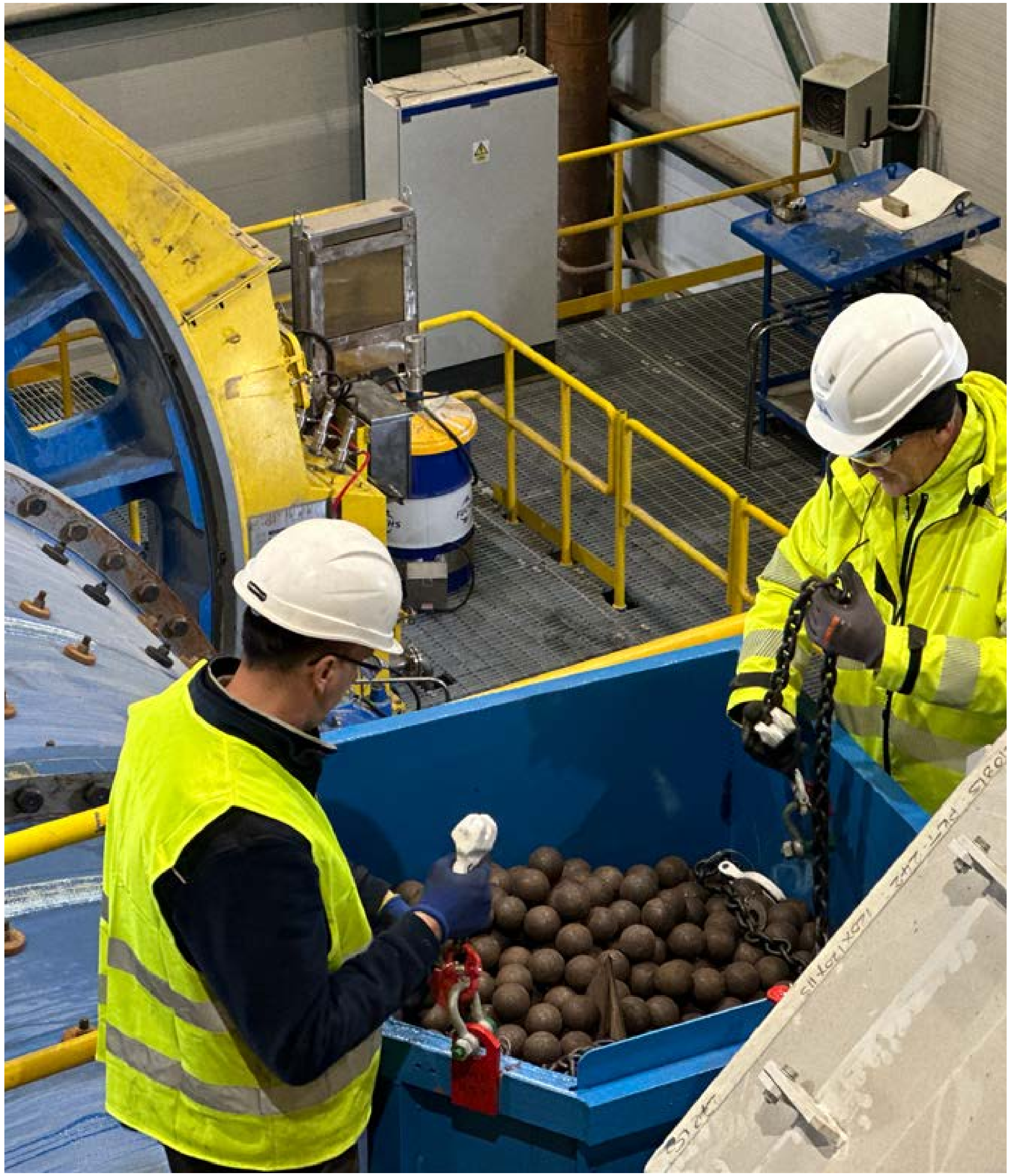
Future strategies

Adriatic Metals has committed to ensuring that the Vareš Silver Project will comply with international best practice regarding environmental and social standards. The Project is now fully permitted with regards to environmental requirements.

A range of Scope 1 and Scope 2 emissions reduction measures are being considered, including the use of local procurement for materials and production chemicals to support operations. The Company plans to install more solar panels on its building roofs in 2024 and commissioned a Life Cycle Assessment (LCA) study to internally evaluate its economic and environmental aspects and find solutions to optimize its environmental impacts and costs. Additionally, there is an extension to the cradle-to-grave boundary for Zinc concentrate, involving transportation to the customer, concentrate processing, product manufacturing, the use stage, and end-of-life treatment. The Company intends to extend the LCA to the end of life of products.

Assurance and verification

The information in this report is for information purposes only. Energy Systems makes no warranty, either express or implied, as to the accuracy or completeness of the assumptions, calculations or information contained in this report. Energy Systems and its affiliates do not accept liability for errors and omissions and cannot be held liable for indirect, direct or consequent losses under any circumstances. No external assurance has been carried out on these figures and an independent audit of the information in this report should be performed by Adriatic Metal's statutory reporting representatives



ENGAGEMENT IN RAŠKA

Highlights

27 employees

2,500 Spruce seedlings procured

0.23 LTIFR

Since the acquisition of the Raška Project, the Company has been conducting exploration activities, including resource definition drilling with diamond core drill rigs operating at each key target. Drilling has been continuing, and to date at Kizevak has intercepted various zones of silver, zinc and lead mineralization, while at Sastavci drilling has confirmed near-surface polymetallic mineralisation, as well as an anomalous broad gold structure at depth. Further mineralised sub-parallel structures have also been discovered within 100m of the main mineralising trend, which demonstrates the potential for scale.

Information centre and feedback

In 2023, Adriatic Metals has continued the practice of publishing newsletters aimed at the local community and available in print at the Information Centre and online on the Company website, providing valuable information to interested parties. These newsletters serve as a means of keeping stakeholders informed about the latest developments, including updates on sustainability initiatives, community engagement activities and interviews with important people from the local community.

In 2023 visits to the Information Centre have doubled from almost 400 in 2022 to 785 visits in 2023. The visits included 291 visits from colleagues on work assignments and 494 visits from various people regarding the following queries:

1. Company and Info Center activities in Raška
2. Sponsorships/donations and handing in related applications
3. Job opportunitites and handing in CVs
4. Current activities in exploration areas and local community cooperation

Other Info Centre visits included following reasons: mail delivery, invoice delivery, exchange of documents, support for Company's sponsorships/ donations and successful cooperation with the local community, and information about CV submission procedure.

Overall, in 2023 there were zero recorded Grievances, 10 CVs were received, and 3 meetings held. Our Information Centre Associate Ivana Miletic met with:

1. Dusica Sretenovic, Professor of Geography and Librarian at Raška Gymnasium, regarding continuation of cooperation
2. Danijela Matovic, Curator at Gradac Cultural Centre, regarding organization of planned mining exhibition
3. Jasmina Trikosanin, Grafit printing firm representative, regarding preparation of Company promotional materials for the New Year

Community projects

As in previous year, Adriatic Metals has been involved in a number of social projects and initiatives in Raška that align with the Company's values.

The Company has made 5 donations that total over €4,500 and include support given to:

1. Raška Municipality Children's Association
2. Cultural and educational association Rasanka
3. Church in Baljevac
4. Donation of water hose to Tiodze village
5. Cultural Artists' Association "Raška"

The Company has given 3 sponsorships that total €2,500 and include support given to:

1. Rudnica local community for "Srecko Lazarevic" memorial football tournament
2. Mini-football club "KMF Raška"
3. Ski club "Kopaonik"

In 2023, Adriatic continued its collaboration with Raška Gymnasium, hosting trips where Gymnasium students and professors explored our Information Centre, while our geologists visited Raška Gymnasium for the second consecutive year. These visits, aligned with the previous year's initiative, aimed at familiarizing students with our Company, our exploration activities, and the geologist profession at large.

Ivana Miletic, our Information Centre Associate, once again represented the Company at the annual Raška Municipality Day celebration. The event, attended by esteemed guests from the local community and the national government, provided a platform for showcasing our commitment to sustainability and environmental protection.

Demonstrating our dedication to environmental stewardship, our Company procured a total of 2,500 spruce seedlings for planting in Badanj village. The afforestation project saw active participation from all members of the Adriatic Metals Serbia team, who dedicated two days to successfully plant all the seedlings.

ENGAGEMENT IN RAŠKA - continued

Environmental studies

In 2023, Adriatic made significant progress in environmental monitoring. The goal was to address data gaps and include new locations where assessments hadn't been conducted before. Collaborating once again with the local consulting company Envico, the company undertook comprehensive environmental baseline studies, reinforcing its dedication to understanding and mitigating potential impacts on the ecosystems surrounding its exploration licenses. We also maintained our environmental monitoring on Kizevak and Sastavci locations, ensuring that we stayed on top of our responsibilities in those areas.

In our sampling campaign, covering 69 different samples of sediment, surface, ground and drinking water, we are pleased to report that most of the lab results align with regulatory standards for pollutant concentrations. While the overall findings are in line with regulations, it's crucial to note that some elevated concentrations were observed. This can be attributed to historical pollution in certain areas, highlighting the lasting impact of past activities.

Additionally, in some instances, normal variations in pollutant levels were detected. Our commitment to thorough environmental monitoring allows us to not only ensure compliance but also to understand the unique challenges posed by historical factors and natural variations. This approach empowers us to implement targeted measures where needed, ensuring the long-term health and sustainability of the areas in which we operate.

In the pursuit of a responsible approach and a commitment to environmental and cultural stewardship, our company conducted a comprehensive archaeological survey across key locations, namely Kremice, Kozija Glava, and Rudnica. This effort underscores our dedication to respecting and preserving the historical and cultural aspects of the regions where we operate.

Our company will continue and expand our monitoring efforts across all locations. This data will serve as a crucial starting point for the Environmental Social Impact Assessment (ESIA) process, guiding our ongoing commitment to sustainability and minimizing environmental impact. Looking ahead, we are poised to continue and extend these efforts in 2024, reinforcing our dedication to responsible environmental management.

Health & Safety

At the end of the period, the Lost Time Injury Rate ('LTIFR') and Total Recordable Injury Rate ('TRIFR') are 0.23 and 2.08 respectively. These are positive safety results when compared to Q1 2023 where LTIFR and TRIFR were 0.25 and 2.22 respectively.

Adriatic Metals has continued to focus on managing critical health and safety risks. The Company has continued with the roll out of risk management procedures and "Creating Safe Work" (Adriatic Metals' safety culture program). The new standards, systems and processes continue to have a positive impact on risk management and safety. The Company has focused on growing its emergency and crisis management capabilities.

Adriatic Metals is working closely with Technical Rescue International, a London-based company specializing in emergency and crisis management. In January 2023, the Company completed a workshop with senior management to develop a greater understanding and awareness of the key health and safety risks of operating in Vareš. Crisis management plans are now in place to manage these risks.

CORPORATE STRUCTURE

The Board remains fully committed to good corporate governance, including the Corporate Governance Code published by the Quoted Company Alliance, of which the Company is a member. The Board continues to align the skills and experience of the Directors and management with the needs of the Vareš Project as it advances toward steady-state production .

Adriatic Metals PLC is a public limited company incorporated in England and Wales on 3 February 2017.

The Company's principal assets are its wholly owned indirect holding, via Adriatic Metals Holdings BIH Limited, in Adriatic Metals BH d.o.o. and its wholly owned direct holding in Adriatic Metals d.o.o. (formerly RAS Metals d.o.o.) which holds the Raška Project in Serbia.

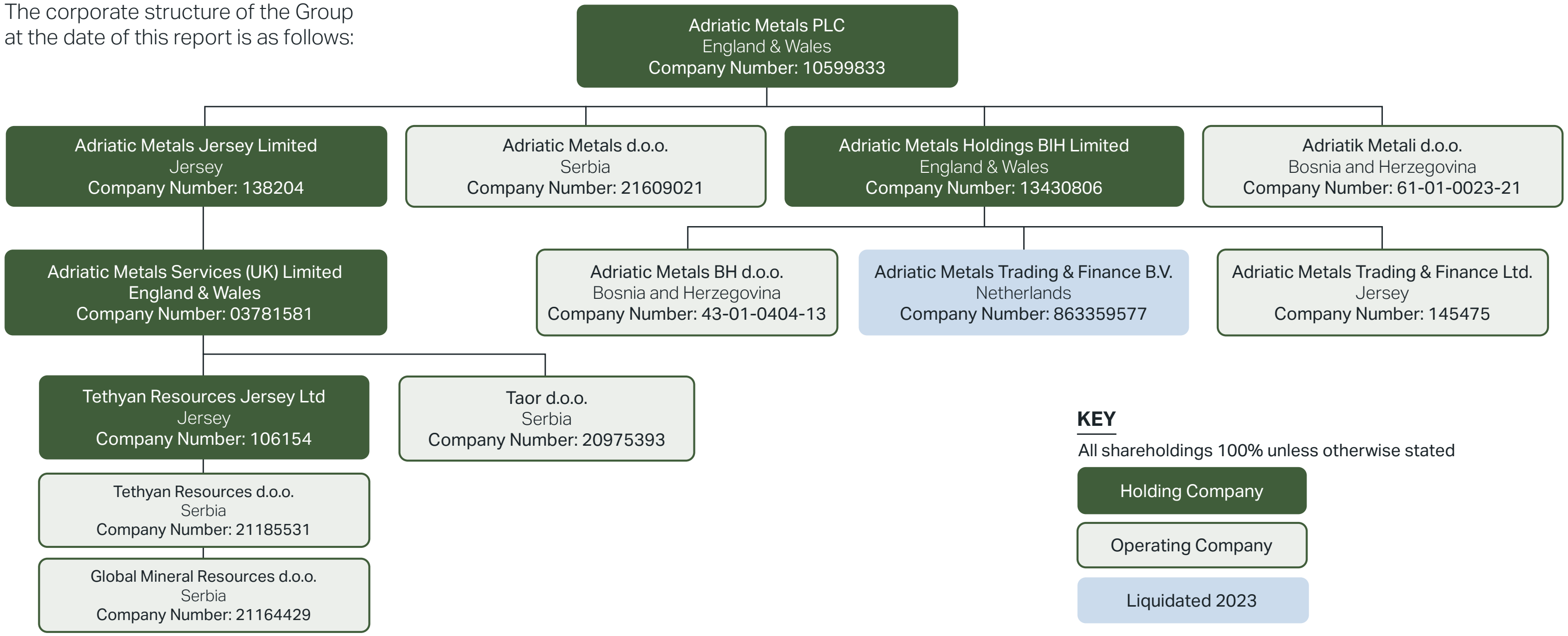
Adriatic Metals BH d.o.o. (formerly named Eastern Mining d.o.o.) was registered in Bosnia and Herzegovina on 19 May 2008. Adriatic Metals BH is the main operating entity of the Group and holds the Vareš Project concession which comprises the Rupice and Veovača deposits. Eastern Mining d.o.o. underwent a name change to Adriatic Metals BH d.o.o. in April 2023.

Adriatic Metals Holdings BIH Limited was incorporated on 1 June 2021 and acquired the entire share capital of Adriatic Metals BH d.o.o. from Adriatic Metals plc on 30 September 2021 as part of the Group's preparation for entering into the Orion Project Finance Package.

Adriatic Metals Trading and Finance Ltd was incorporated on 28 September 2022 to act as a trading and finance company for the Group and is the borrower under the Orion Debt Finance Package.

Adriatic Metals Trading & Finance B.V., which was incorporated on 14 December 2021, was liquidated during 2023.

The corporate structure of the Group at the date of this report is as follows:



Adriatik Metali d.o.o. was incorporated on 8 April 2021 and had limited operating activity during the year ended 31 December 2023.

Adriatic Metals Jersey Limited (formerly Tethyan Resource Corp.) and its wholly owned subsidiaries were acquired on 8 October 2020. The acquisition of the remaining share capital of Adriatic Metals d.o.o. occurred on 22 February 2021.

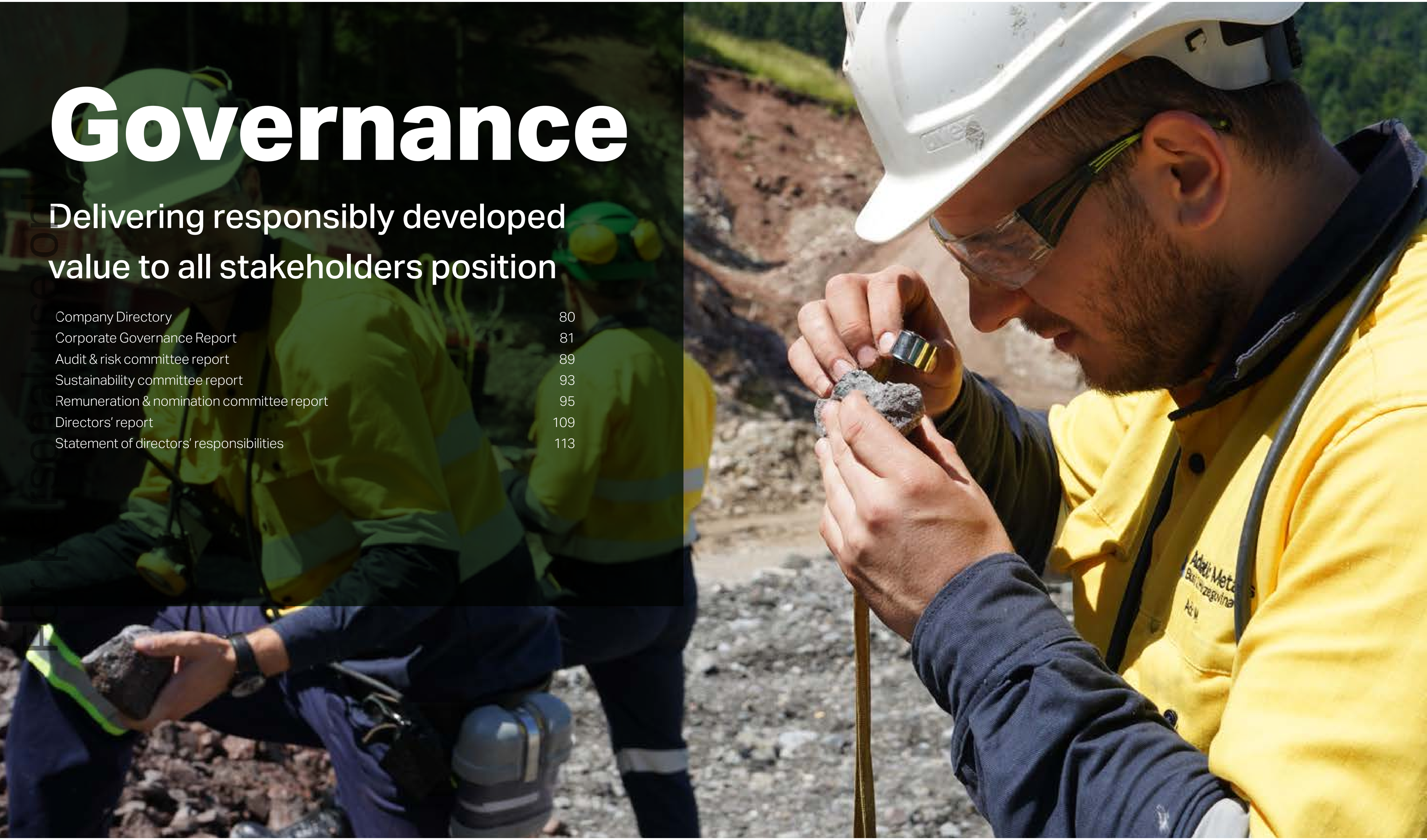
Adriatic Metals Services (UK) Ltd provides consultancy and procurement services to other members of the Group and also has an option agreement pursuant to which it may acquire the entire share capital of Deep Research d.o.o. which holds the Suva Ruda licence in Serbia though it has no equity interest in that entity at present.

The Group is carrying out an internal reorganisation of its Serbian entities to simplify the Group structure. Currently there are four wholly owned Serbian operating entities within the Group, namely: Global Mineral Resources d.o.o., Tethyan Resources d.o.o., TAOR d.o.o. and Adriatic Metals d.o.o. The Group's intention is to merge these entities into the existing entity Adriatic Metals d.o.o. leaving this as the sole operating entity.

As part of the reorganisation, an application has been submitted to the Serbian Ministry of Licences to allow the Kremice and Kaznovice licences to be transferred from Global Mineral Resources d.o.o. and TAOR d.o.o. to Adriatic Metals d.o.o., respectively, and permission has been granted. The transfer process will result in the Company's related party balances with Serbian entities being transferred to Adriatic Metals d.o.o. the new licence holder. This reorganisation is ongoing as of the signing date.

The strategic report of Adriatic Metals PLC on the preceding pages was approved and authorised for publication by the Board of Directors on 27 March 2024 and was signed on its behalf by:

Michael Rawlinson
Chairman of the Board



Governance

Delivering responsibly developed value to all stakeholders position

Company Directory

Adriatic Metals

Board of Directors

Michael Rawlinson*
(Chairman)

Peter Bilbe*
(Non-Executive Director)

Paul Cronin
(Managing Director & Chief Executive Officer)

Julian Barnes*
(Non-Executive Director)

Sandra Bates*
(Non-Executive Director)

Sanela Karic
(Non-Executive Director)

* Determined by the Board to be independent in accordance with the Quoted Company Alliance's Corporate Governance Code (QCA Code).

Chief Financial Officer

Mike Norris

Company Secretary

Jonathan Dickman, Gabriel Chiappini
(joint secretaries)

Registered Office

Regent House, 65 Rodney Road,
Cheltenham GL50 1HX

+44 (0) 20 7993 0066

Australian Office

Level 1, 10 Outram Street, West Perth WA 6005,
Australia

Brokers

RBC Europe Limited, 100 Bishopsgate, London
EC2N 4AA

Stifel Nicolaus Europe Limited,
One Broadgate, London EC2M 2QS

Morgans Corporate Limited,
Level 29 Riverside Centre, 123 Eagle Street
Brisbane QLD 4000

Auditors

BDO LLP, 55 Baker Street, London W1U 7EU

Stock Exchange Listings

London Stock Exchange (LSE:ADT1)
Australian Securities Exchange (ASX:ADT)
OTC Market (OTCQX:ADMLF)

Share Registrars

Computershare UK:
The Pavilions, Bridgwater Road, Bristol BS13 8AE

+44 (0) 370 702 0003

Computershare Australia:
Level 11, 172 St George's Terrace, Perth, WA 6000

+61 08 9323 2000

Country of Incorporation

England and Wales

Registered Number

10599833

Web site

www.adriaticmetals.com

Corporate Governance Report

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 into account all of Adriatic's stakeholders in its decision making 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 and a full description of our compliance with the QCA code can be found on our website:

https://www.adriaticmetals.com/corporate-governance/

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.

A. BOARD COMPOSITION

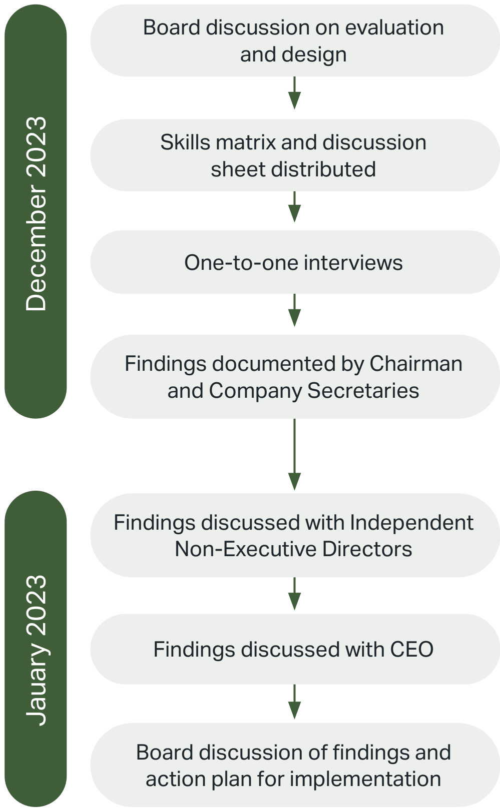
At 31 December 2023, the Board comprised a Non-Executive Chairman, a Managing Director and Chief Executive Officer, and four other Non-Executive Directors ("NEDs"), three of whom are considered independent. As part of its annual performance evaluation process the Board, in conjunction with the Remuneration & Nomination Committee, keeps its structure under review in order to maintain an appropriate balance of executive and non-executive experience and skills.

The Board considers the following NEDs who served during the year to have been independent: Peter Bilbe, Julian Barnes, Sandra Bates and 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 previously held 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 had 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 PERFORMANCE EFFECTIVENESS REVIEW



The most recent board performance effectiveness review was undertaken internally during December 2023 through one-to-one interviews conducted by the Chairman, Michael Rawlinson, supported by the UK Company Secretary.

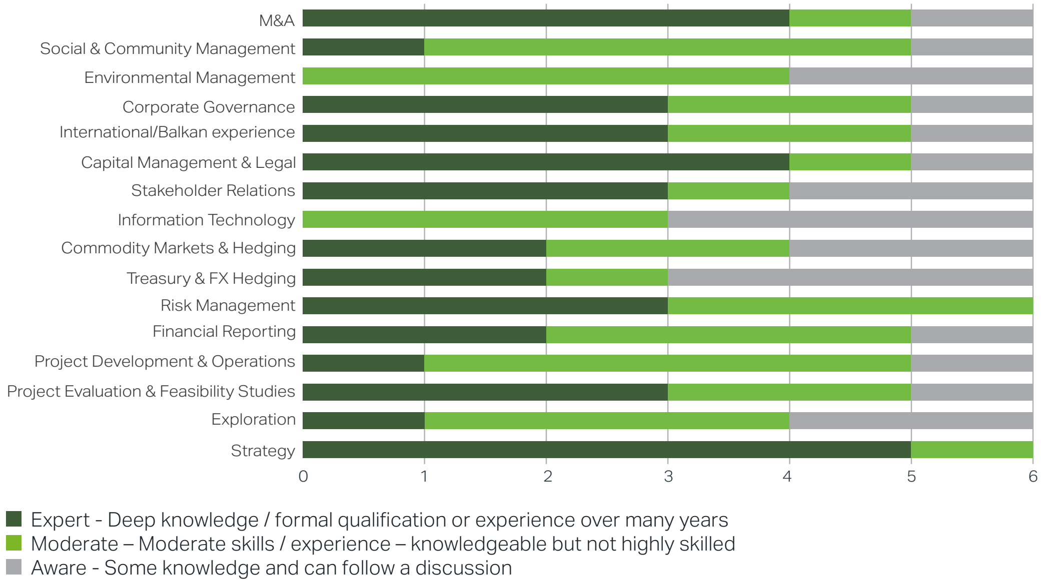
The interviews were structured to seek the Directors' views on a number of subject areas including those outlined below.

- The overall composition of the Board was considered, taking into account the balance of skills represented by Board members relative to the current and future requirements of the Company together with gender diversity.
- The workings of the Board and interpersonal dynamics
- Focus on leadership and corporate culture, including succession planning.
- A review of strategic oversight and direction
- Discussion on the provision of information – focus, relevance and quantity
- Views on governance and the composition and workings of the main Board Committees was evaluated.

Discussion around risk management including evaluation and reporting

As part of the board's performance evaluation and within the remit of the Nomination Committee, the Adriatic Board undertook a skills self-assessment matrix review. The skills categories chosen were all discussed and noted as likely to be required as Adriatic completes its construction phase and moves into production/steady state. The outcome of the self-assessment was as follows:

Adriatic Board Skills Matrix Self Assessment Dec-23



Board composition

Directors were broadly happy with the size of the Board and skills on the Board at the moment (local/mining/exploration/financial/corporate/legal), given the stage of the project. With changes to composition expected in the coming year, the focus was on the concept of the local advisory committee to cover the need for local expertise and advice, particularly as the Company moves into the operational phase. Members recognised that reshaping the Board and altering the skills mix were questions that would naturally arise as the Company moved forward.

2023 BOARD PERFORMANCE EFFECTIVENESS REVIEW FINDINGS

The findings of the Chairman's board performance effectiveness review were collated and considered amongst the Non-Executive Directors before being relayed to the CEO. The resulting recommendations were discussed and, where appropriate, approved by the Board.

Overview

The Company has had a tough year of delivery in 2023. We have worked safely, cleanly and responsibly; kept a lid on capital budgets; and had great success in exploration. The operational team development has progressed well and the culture of the Company has evolved positively.

As we complete construction, undertake commissioning and move into the operational phase of the Vareš project, the Board should maintain focus on project delivery and ramp-up. At the same time, both the complexity of the business and the overall level of risks faced by the business will continue to rise. This will imply an ongoing need for focused oversight by the Board, including in particular in relation to technical, operational and ESG matters.

Value and role of the Board

The role of the Board remains well understood. The Board has high confidence in the management team and understands that it is management's role to manage the business, with the Board providing oversight and strategic direction. The Board is there to help management set the strategy, standards and agenda and provide mentorship and support. Board members report a very positive relationship with management. Members feel valued and engaged and particularly appreciate the opportunities for interaction afforded by the on-site visits, which have once again become a regular feature of the annual board calendar.

Focus on major challenges

There was a strong sense that the Board was spending the appropriate time and focus on the things that mattered.

Recommendations:

- Board should focus on ramp-up, mindful of the complexities involved in ensuring successful project delivery and VPP commissioning
- Specific increased focus on readiness of information and reporting systems for production; contractor management (and related learnings); ESG and local in-country expert advice.
- Board to explore setting up a local advisory committee to provide in-country expert advice to the Board.

Strategic direction

The Board considered that strategic direction at this time should be firmly focused on project delivery, and the associated challenges and risks.

Insight into the business and information flows

The Board felt there was extremely good information flow from management. The detail in the quarterly Board reports was appreciated. The monthly updates (Board calls) are highly valued. Individual presentations from department heads are valued. Management was extremely responsive to queries outside the formal meetings and informal calls. Committee Chairs should be actively involved in agenda setting to make sure that key areas of focus receive the appropriate attention. This process is to be reviewed.

Risk discussion

The Board believed that there needs to be more consistency with focus on risk in every quarterly board meeting. The Board expected to see an updated comprehensive risk register summary as part of the quarterly reporting. This would allow the Board to look at the top 10 risks more often and ensure the register is updated as the risks evolve (political /operational /people /contractors etc.). The Board was pleased with the improved management of this area.

Board members were most focused on evolving risks with completion of construction; geotechnical issues/ ground conditions; VPP commissioning; electrical supply; haul road; health & safety; skills acquisition and training; ERP and systems reporting; and contractor management. Members flagged that health & safety would require even more focus once operations start.

The Board welcomed the appointment of the new GM for Sustainability to take charge of that important area.

Culture and behaviours

Members feel management is doing a fantastic job in building a company-wide culture under the CEO's leadership. It is evident how much the CEO's efforts are shaping how the Company 'looks', 'feels' and 'performs'. The annual workforce survey and whistleblower hotline both provide valued insights. The board asked management to focus on improving the culture and behavior of contractors to the Adriatic standard.

People

The Board has been impressed with the quality of the senior managers this year and are happy to see that the CEO is well supported. The good work on succession planning and talent development should be continued. In relation to ESG, the Board welcomed the appointment of the new GM Sustainability.

Board dynamics

Board members expressed positive views about Board dynamics; members feel engaged and included. The free and open discussions were appreciated. Engagement is especially good where all board members can be there for the twice yearly on-site meetings, which were seen as particularly valuable. Board members are encouraged to stay on to get to know key team members post board meetings. Supporting management is enhanced where board members know the key people and are across the key issues.

Members felt that interaction between the Committees and the full Board should be improved, with more background work done in Committee. Linked to this, it was felt that Committee chairs should interact more with senior management within the scope of Committee mandates.

C. BOARD TERMS OF REFERENCE AND POWERS (SEE BOARD CHARTER IN SCHEDULE 1 TO CORPORATE GOVERNANCE MANUAL ON THE COMPANY WEBSITE)

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 monitor 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 CEO 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.

D. DIRECTOR COMMITMENTS (ALSO SEE REMUNERATION & NOMINATION COMMITTEE REPORT)

The services of the Managing Director and Chief Executive Officer, Paul Cronin, are supplied under a contract with Adriatic. He is not required to provide these services on an exclusive basis, although any services provided to third parties must avoid conflicts of interest or any interference with his obligation to provide services to the Company.

Mr. Cronin has a separate agreement with Adriatic Metals BH d.o.o. (an operating subsidiary of Adriatic) 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, the preparation for 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.

E. BOARD MEETINGS

The Board meets formally once per 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. The Directors also hold informal conference calls on average once per month (during those months where there is no quarterly or other Board meeting) in order to receive regular updates from the Managing Director and Chief Executive Officer.

During the year, the majority of the Board met physically on a quarterly basis, with those unable to attend physically participating remotely by video-conference.

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 briefings that are accurate, comprehensive and timely enough to allow them to make proper use of them 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 board meeting.

A summary of attendance at board meetings in the year ended 31 December 2023 is set out below:

Director	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson	Yes	10	10
Peter Bilbe	Yes	10	9
Paul Cronin	No	10	10
Julian Barnes	Yes	10	9
Sandra Bates	Yes	10	10
Sanela Karic	No	10	10

F. BOARD COMMITTEES

The Board has delegated specific responsibilities to the Audit & Risk, Sustainability and Remuneration & 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.

There is currently no internal audit function, given Adriatic's modest size, although the Audit & Risk 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.

G. AUDIT & RISK COMMITTEE

The Audit & 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 auditors 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. Periodic corporate reports released to the market that are not audited by an external auditor are also reviewed and authorised for release in advance by the Audit & Risk Committee. It also advises the Board on the appointment of the auditors, reviews their fees and discusses the nature, scope and results of the audit with the auditors.

The Audit & Risk Committee was chaired during the year by Sandra Bates. The other members of the Committee were Michael Rawlinson and Julian Barnes. At the date of the Annual Report the composition of the Audit & Risk Committee was Sandra Bates (Chair), Michael Rawlinson and Julian Barnes. In accordance with the Committee Charter, all of its members have been Non-Executive and independent throughout the year.

The Committee has unrestricted access to the Group's auditors. The CFO, UK Company Secretary and other executives are invited to attend Committee meetings, as necessary. The Committee meets at least twice a year and met six times during the year with all committee members attending each meeting.

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

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Sandra Bates (Chair)	Yes	6	6
Michael Rawlinson	Yes	6	6
Julian Barnes	Yes	6	6

H. SUSTAINABILITY COMMITTEE

The Environmental, Social & Governance Committee was renamed the Sustainability Committee in the spring of 2022 to reflect the Company's appreciation of the holistic nature of all aspects of corporate and operational sustainability. The role of the Sustainability Committee is to assist the Board in fulfilling its oversight responsibilities, by reviewing and monitoring any matters relating to the management of workforce, community or environmental impacts (in accordance with the ESG Policy annexed to the ESG Committee Charter), the management of stakeholder relationships, and the oversight of permitting and relevant regulatory risks. The Committee also seeks to identify opportunities to strengthen the Company's licence to operate and to strengthen the sustainability and resilience of the communities and regions where Adriatic companies operate. It will also provide scrutiny of, and guidance to, executive management on these issues.

During the year and at the date of the Annual Report the composition of the Sustainability Committee was Sanela Karic (Chair), Michael Rawlinson and Peter Bilbe. In accordance with the Committee Charter, all of its members are Non-Executives and the majority were independent throughout the year. The Committee met four times during the year with all Committee members attending each meeting. The UK Company Secretary and other executives are invited to attend Committee meetings, as necessary.

The Company published its first stand-alone Sustainability Report on 24 April 2023, containing more detailed information on the Company's sustainability activity and the Committee's deliberations during the year.

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Sanela Karic (Chair)	No	4	4
Michael Rawlinson	Yes	4	4
Peter Bilbe	Yes	4	4

I. REMUNERATION & NOMINATION COMMITTEE

The Remuneration & Nomination Committee, which comprises three independent directors, assists the Board in monitoring and reviewing any matters of significance affecting the composition of the Board and the executive team including:

- 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 Remuneration & Nomination Committee also 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 Executive Directors and other senior management 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 & Nomination Committee is chaired by Peter Bilbe, and its other members during the year and at the date of the Annual Report were Julian Barnes and Sandra Bates.

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

Committee attendance during the year:

Director	Independent	Maximum possible attendance	Actual attendance
Peter Bilbe (Chair)	Yes	5	5
Julian Barnes	Yes	5	5
Sandra Bates	Yes	5	5

J. 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.

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.

K. LIST OF DIRECTORS

Michael Rawlinson
Non-Executive Chairman

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 a Senior Independent Non-Executive Director at Hochschild Mining, an Independent Non-Executive Director at Capital Limited and an Independent Non-Executive Director at Andrada Mining Limited.

Peter Bilbe
Non-Executive Director

Mr. Bilbe is a mining engineer with over 40 years Australian and international mining experience in gold, base metals and iron ore in operational, CEO and board positions. He is currently a Non-Executive Director of Horizon Minerals Ltd, an emerging gold producer and until November 2021 was Chair/Non-Executive Director of IGO Ltd, an ASX100 company.

Paul Cronin
Managing Director and Chief Executive Officer

Mr Cronin is a co-founder and Director of Adriatic and is Non-Executive Chairman of ASX listed Black Dragon Gold Corp and a Non-Executive Director of ASX Listed Taruga Minerals Limited. Mr Cronin has over 25 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 adequately to perform his role with the Company.

Julian Barnes
Non-Executive Director

Dr. Barnes is a geologist with extensive experience in major exploration and development projects. Previously, he was Executive Vice President of Dundee Precious Metals with a strong focus on Balkan mining and development. Dr. Barnes founded and led Resource Service Group for nearly two decades, which ultimately became RSG Global and has since been sold to Coffey Mining. He is also Non-Executive Director of Zinc of Ireland N.L. and Thor Explorations Limited.

Sandra Bates
Non-Executive Director

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. She is a risk assessment specialist and brings extensive experience of guiding clients in the natural resources sector through complex negotiations often with a cross-cultural element. Ms Bates is General Counsel & Corporate Secretary for Elemental Altus Royalties Corp, a Non- Executive Director of ASX Listed Predictive Discovery Limited and a member of Women in Mining UK.

Sanela Karic
Non-Executive Director and Consultant

Ms. Karic, a Bosnian national, brings a wealth of experience, with 20 years of experience as a lawyer and a career spanning corporate affairs, mergers and acquisitions, and human resources. Ms Karic is a graduate of the University of Sarajevo. After passing the bar exam, she built her career as a lawyer, public notary deputy, and for five years as an Executive Director for Legal Affairs at the Prevent Group, Bosnia's largest diversified industrial corporation with businesses in the EU. Currently, she is the shareholder and CEO of Legal Solutions d.o.o. a law firm in Bosnia, providing legal and consultancy services mainly for foreign investors and Adriatic Metals BH.

L. BOARD ADVICE DURING THE YEAR

FIT Remuneration Consultants were engaged to advise the Remuneration Committee on its remuneration policy. Advice was also provided to the Board by the investment bank RBC Europe Limited.

M. INTERNAL ADVISORY ROLES

i) Company Secretary

The joint Company Secretaries during the year were Gabriel Chiappini (Australia) and Jonathan Dickman (UK), combining the role with that of General Counsel. 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 undertakes an annual formal evaluation of its performance and effectiveness and that of each Director and each Committee. In line with the QCA Code Principles, the evaluation is based on clear and relevant objectives, seeking continuous improvement. A summary of the findings from the 2023 Board evaluation is set out in section b above.

N. 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 has an emergency succession plan for the senior management team. Succession planning is considered as part of the Remuneration & Nomination 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.

O. BOARD DIVERSITY POLICY STATEMENT: GENDER AND ETHNICITY TARGETS

The Board is committed to ensuring that it has the right balance of skills, experience and diversity, and a Board composition that reflects the current areas of operation of the Company, its employees and major markets. The Board supports the targets of the FTSE Women Leaders and Parker reviews on gender and ethnic diversity.

Since August 2020, two (33.3%) of the 6 directors have been female and one (17%) identifies as minority ethnic. At at 31 December 2023 and the date of this report, two (33.3%) of the 6 directors are female and one (17%) identifies as minority ethnic. Two of the Board sub-committee chairs are female, i.e. the chairs of the Audit and Risk Committee and the Sustainability Committee. In addition, a majority of the Board have a nationality or place of origin outside the UK. The Company satisfies the targets in the UK Listing Rules in having at least one Director from a minority ethnic background. However, the Company does not currently meet the UK Listing Rule targets of having at least 40% female representation on its Board and that at least one of the senior positions on its Board (defined under the Listing Rules as the chair, chief executive, senior independent director or chief financial officer) is held by a woman. The additional diversity data required under the UK Listing Rules is set out below.

The Company considers that the experience and expertise of its Board, including the continuity of its composition and relatively small size, best positioned the Company for its continued growth during 2023, including the successful development of the Vareš Silver Project which enabled it to achieve its first concentrate production in Q1 2024. Currently, the Company is at a relatively early stage of its development and its operational footprint is primarily in the Balkan region, where ethnicity profiles and representation in society differ considerably from those in the UK. The Board is also mindful that the mining industry has been traditionally male-dominated when compared to several other sectors making up UK listed businesses. The Board recognises the importance of addressing these gaps and is committed to implementing measures to improve our board diversity. In considering plans to make further appointments to the Board as the Company grows and succession plans for the Board evolve, and for the above-mentioned senior positions, considerable effort will be made to the meet the targets. Appointments to the Board will be made on merit, ensuring the overall composition of the Board and its committees continues to reflect a mix of capabilities, experience and diversity (of gender, ethnicity, nationality, age and perspectives). We are confident that future appointments will, as a whole, continue to support the Board's diversity aims.

As required by UK Listing Rule 14.3.33, further details on board composition as at 31 December 2023 are set out below.

i) Gender identity or sex

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	4	66.7%	2	7	77.8%
Women	2	33.3%	-	2	22.2%

ii) Ethnic background

	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	5	83%	2	8	89%
Mixed/Multiple Ethnic Groups					
Asian/Asian British					
Black/African/Caribbean/Black British					
Other ethnic group, including Arab	1	17%		1	11%

Audit & risk committee report

Sandra Bates
Chair of the Audit & Risk Committee

I am pleased to present this report on the activities of the Audit & Risk Committee for the year ended 31 December 2023

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 and UK Company Secretary are invited to attend together with the external auditors. Six meetings of the Committee were held during the year, and the following significant issues were considered:

Significant issue	Summary of Significant Issue	Actions and Conclusion
Going concern	Assessment of the Group's 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.	The Vareš Feasibility Study was completed in August 2021and an equity raise was successfully closed on 29 October 2021. Definitive documentation executed for the $142.5m Debt Finance Package with Orion was announced on 10 January 2022 to provide sufficient funds to complete the Vareš Project construction and cover ongoing owner costs until production commenced. Of this total, $112.5m was drawn down prior to 31 December 2023, including the $22.5m Copper Stream deposit, and $30m was drawn down in January 2024. In August 2023 the Company raised $30m equity, net of costs. In March 2024, the QRC convertible debt was converted into shares. As announced on 30 January 2024 in the Company's Quarterly Activity Report for the quarter ended 31 December 2023, the Project cost estimate was $188.9m, and on 28 February the Company announced that it had produced its first concentrate, with production planned to ramp up to its nameplate processing capacity of approximately 65,000t per month by Q4 2024. Sensitivity analysis of production ramp up and potential revenue delays indicates that the Group and Company have 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. For a mining company at the start of its operating phase, uncertainty exists about operating results and cash flows. In a challenging operational scenario, the Company would have the option of reducing and/or deferring discretionary expenditure including overheads, sustaining capex and general and administrative costs, as well as raising equity capital in the event of a more severe impact on production and revenues. A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion Debt Finance Package, with the first DSCR testing period expected to be mid-2025, following the agreement in January 2024 to defer the first repayment under the Debt Finance Package from June 2024 to December 2024. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this. The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Significant issue	Summary of Significant Issue	Actions and Conclusion
Property, plant and equipment carrying amount	The Group's total property, plant and equipment, including mine under construction of $212.7m (31 December 2022: $77.9m) is material to the Group's balance sheet. Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.	The value in use of an asset is the total of the expected future cash flows that the asset in its current condition will produce, discounted to present value using an appropriate discount rate. The sensitivity of the Vareš Project to key project inputs is considered within the Feasibility Study. Analysis of sensitivities such as changes to metals price, operating costs, initial capital cost and head grade, shows that significant headroom exists over the Vareš Project's mine under construction carrying amount. The carrying amount of property, plant and equipment appears to be supported.
Rehabilitation provision	Calculation of the rehabilitation provision is complex requiring estimates of future cost to be incurred. Actual operations and life of mine may not be in line with the original plan and Feasibility Study design, and the rehabilitation estimate will therefore need to be updated on a regular basis as construction and mining progresses.	The overall cost to be incurred is subject to change. Management has used Wardell Armstrong's conceptual mine closure plan prepared at the Feasibility Study stage to estimate total future costs using current restoration standards and techniques. Management assessed the progress of the Vareš Project to date to determine the estimated outstanding rehabilitation work required, as well as assess any changes from the original conceptual mine closure plan. In addition, cost estimates have been updated. To determine an appropriate discount rate and calculate the provision to recognise, management considered risk free rates and long term inflation projections in order to discount expected cashflows over the life of the Project. The rehabilitation provision of $3.7m recognised at 31 December 2023 represents the net present value of the best estimate of the expenditure required to settle the obligation for future close down, restoration and environmental obligations caused by construction activities up to that date.

Significant issue	Summary of Significant Issue	Actions and Conclusion
Copper Stream	The accounting and disclosure of the Copper Steam is a complex area and should be accounted for at fair value in accordance with IFRS 9.	Consideration as to the substance of the agreement and the value of the Copper Stream has been made in line with the requirements of IFRS. Regarding the accounting treatment reference has been made to IAS16, IFRS9 and IFRS15 as to the nature and substance of the agreement with the conclusion that IFRS9 is the most appropriate treatment of financial liability because the liability can be settled by cash or delivery of another financial instrument. The fair value of the Copper Stream obligation has been valued by management, assisted by its independent valuation experts. Assumptions developed by management include: long term copper price curves; nominal discount rate based on the Company's weighted cost of capital; timing of cashflows relevant to the stream arrangement. Initial recognition was at 13 February 2023, including a day one fair value adjustment which has been deferred and is subject to amortisation over the life of the mine. Subsequent changes in fair value are recognised in the consolidated statement of comprehensive income.
QRC convertible debt	The accounting and disclosure of the convertible debt of $16.1m (31 December 2022: $16.3m) and its embedded derivative liability valued at $9.9m (31 December 2022: $6.4m) is a complex area and should be accounted for at fair value in accordance with IFRS 9.	Management engaged the services of independent valuation experts to assist in determining the appropriate fair value of the debt including the fair value of the derivative liability which was revalued at 31 December 2023. The QRC debt was converted in March 2024.
Raska Project carrying amount	Management is 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. It was considered whether there were any indicators of impairment and whether the carrying amount of the Raska Project USD 8.5m arising on acquisition remained appropriate.	In late 2022 the Company carried out a strategic review of the Raska Project which resulted in changes to the development plan for the project. Focusing its resources on Vareš Project construction and on exploration at Rupice and Rupice NW meant that resources available for exploration in Serbia would be more focused and limited in 2023, with development taking place over a longer horizon, including advancing new prospects in the Company's tenement area during 2023 to complement Kizevak and Sastavci. In view of the longer horizon planned, the Company determined that it was appropriate to recognise an impairment of $23.2m against the project's carrying amount, reducing the carrying amount to $8.5m at 31 December 2022. During 2023, there was successful intersection of mineralization at several of the new prospects from trench, surface and drill core sampling, while drilling results from the Rudnica prospect indicated the potential for an increase in the size of the historic Rudnica porphyry deposit. Nonetheless, further work is required before a maiden mineral resource may be established. All permits remain in good standing. Management has therefore concluded that there are no indicators that the carrying amount of the Raska Project is not supported. As further work remains before a maiden resource may be established, management considers that a reversal of the previous inpairment would not be appropriate at this time.

External Auditors' Fees

There was no significant non-audit work carried out by BDO subsequent to their appointment. Details of fees paid during the year may be found in note 16 to the consolidated financial statements.

Objectivity and Independence

The Committee continues to monitor the auditors' 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 Auditors

The Committee recommends to the Board the re-appointment of BDO as auditors at the forthcoming 2024 annual general meeting ("AGM"), and BDO has expressed its willingness to continue in office.

Internal Auditors

The requirement for the appointment of an internal auditor is continually assessed by the Committee, taking into account the level of spending and complexity of the Group's operations. 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 to 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 management, concentrating on the areas that are relevant to the risks facing the Company.

Sandra Bates
Chair of the Audit & Risk Committee

Sustainability committee report

Sanela Karic
Chair of the Sustainability Committee

On behalf of the Committee, I am pleased to present the Sustainability Committee Report for the year ended 31 December 2023.

Over the course of the year, the Sustainability Committee has continued to oversee and drive the company's commitment to Environmental, Social, and Governance (ESG) initiatives. This report encapsulates the discussions and actions taken during four committee meetings held in January, May, September and December.

The role of the Sustainability Committee is to assist the Board in fulfilling its oversight responsibilities, by reviewing and monitoring any matters relating to the management of workforce, community or environmental impacts, the management of stakeholder relationships, and the oversight of permitting and relevant regulatory risks. We also seek to identify opportunities to strengthen the Company's licence to operate and to strengthen the sustainability and resilience of the communities and regions where Adriatic companies operate. It will also provide scrutiny of, and guidance to, executive management on these issues.

COMMITTEE MEMBER ATTENDANCE LOG

Name	Position	Number of Meetings Attended
Sanela Karic	Non-Executive Director & Chair	4
Michael Rawlinson	Non-Executive Director & Chairman	4
Peter Bilbe	Non-Executive Director	4

KEY AGENDA ITEMS DURING THE YEAR

2023 year can be characterised by a concerted effort from the Sustainability Committee to reinforce the Company's commitment to high standards.

In early 2023, amendments were made to the environmental permit for Rupice, securing approval from the Federal Ministry of Environment and Tourism. As part of the Environmental and Social Management System (ESMS), management plans will be revised to integrate mitigation and monitoring measures in response to any changes identified during this process.

Oversight of health and safety

From a governance perspective, the health and safety team were realigned to be incorporated into the broader framework of risk and compliance. Understanding the importance of a robust health and safety program in protecting our workforce, this integration ensures a cohesive approach towards mitigating operational risks and upholding compliance standards. By aligning the health and safety department with broader governance principles, we aim to foster a culture of accountability and responsibility.

Stakeholder engagement

Throughout the construction phase, the Company maintained a specific focus on key matters related to the development of the mine. Throughout this period, a commitment to stakeholder engagement and awareness remained at the forefront of Sustainability Committee's initiatives. The Committee actively engaged in discussions with stakeholders, soliciting both positive and negative feedback. The outcome of these engagements and the ensuing discussions will be outlined, shedding light on the various perspectives and concerns raised by stakeholders during the course of the year.

Addressing environmental concerns

Acknowledging the environmental impact of our operations, the Committee delved into addressing the root causes of environmental complaints. Notably, we focused on the temporary use of Kakanj roads during construction activities. This led to insightful amendments in our plans, particularly in the realms of water management, traffic control, and biodiversity preservation.

Vildana Mahmutovic brought to our attention a formal grievance raised by the Kakanj municipality, underlining the importance of addressing local concerns. The grievance, sparked by a supply truck causing delays in civilian traffic due to snow-related issues, prompted immediate action. In response, we committed to providing advance warnings for heavy goods movement through the municipality.

Female leadership

Recognising the significance of diversity in leadership, our commitment extends to fostering inclusivity through female representation. As the Chair, I reiterate our dedication to training and empowering more women for senior positions within our Company. This commitment is rooted in the belief that diverse leadership enhances innovation, resilience, and the overall effectiveness of our operations. Our actions in this regard align with our broader goals of promoting equality and inclusivity in the workplace.

Enhancing risk management strategies

With the dynamic nature of business risks, our Committee, bolstered by the addition of Ben Huxtable as Head of Risk, has prioritised efforts towards improved tracking and reporting of whole-company risks. This initiative is central to our broader risk management strategy, ensuring a comprehensive understanding of potential challenges. Ben's expertise enhances our capabilities in identifying, assessing, and mitigating risks effectively. By incorporating a dedicated focus on risk management, we enhance the resilience and sustainability of our business operations.

In January 2024, Alex Budden was appointed to a newly created role as Chief Sustainability Officer. Mr Budden's role at Adriatic Metals will cover government relations, sustainability and ESG issues, including environmental services, community relations and energy, working closely with Risk & Assurance, Human Resources and Corporate Development. Mr Budden has held senior Corporate Affairs and Sustainability roles at Harbour Energy and Lundin Energy, and has worked across the oil & gas, mining, and renewable energy sectors. This followed a twenty year career as a diplomat with the UK Foreign, Commonwealth & Development Office, where he was based in several locations, including Croatia.

Forward-looking sustainability initiatives

As we transition into the production phase, we are committed to ensuring that our approach remains aligned with the characteristics of being a producer. We have outlined a proactive program for the next year, underscoring our commitment to sustainability and responsible business practices. This comprehensive plan includes deep dives into the Risk Register identifying and mitigating potential risks associated with the production phase, discussions on Occupational Health and Safety, progress on the Community Development Plan, and considerations for Net Zero initiatives. These forward-looking initiatives reflect our dedication to continuous improvement and aligning our business practices with evolving ESG standards.

As the Chair of the Sustainability Committee, I would like to echo our continued commitment to steering Adriatic Metals towards sustainable practices. Our collaborative efforts with various stakeholders and continuous improvement initiatives reflect the Company's dedication to ESG principles.

Sanela Karic
Chair of the Sustainability Committee

Remuneration & nomination committee report

Peter Bilbe
Chairman of Remuneration Committee

PART 1 – SUMMARY STATEMENT FROM THE CHAIRMAN

On behalf of the Board, I am pleased to present the Remuneration & Nomination Committee Report, which sets out the Directors' remuneration report for the year ended 31 December 2023. It has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations).

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 so far as is practicable given the Company's size, nature and stage of development. A summary of the Remuneration & Nomination Committee's role and membership can be found in the Governance section of this Annual Report.

After this introductory statement, this Report contains the Annual Report on Remuneration covering the year ended 31 December 2023, reflecting the arrangements in place during that year. The third part of this Report sets out a summary of our Directors' remuneration policy which was approved at the 2023 AGM.

An important point to note is that, as required by ASX rules, all share incentive awards to Directors are required to be approved by shareholders at a general meeting. Share awards are a key part of Adriatic's Directors' remuneration policy.

At our 2024 AGM there will therefore be two resolutions on pay matters:

- The annual advisory vote to approve this Directors' remuneration report (comprising both the Annual Report on Remuneration and this introductory statement); and
- A vote to approve a proposed LTIP share award to Paul Cronin.

Remuneration policy – application in 2023

As has been the case since our admission to the London Stock Exchange's main market, the Directors' 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 to 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.

Paul Cronin, our CEO, is our only main board executive director. Mr Cronin's fixed pay comprises base remuneration (split between Director's fees and consultancy fees paid by the Company and its wholly owned subsidiary Adriatic Metals BH d.o.o) and a travel allowance of £50,000. He receives no pension contributions. The travel allowance was introduced during the course of 2023 for the costs of Mr Cronin and his family's travel requirements as a result of his working on the Company's business as an expatriate and away from his family for sustained periods.

Mr Cronin participated in the Company's STIP during 2023. As detailed later in this report, his STIP payment in respect of 2023 was US$329,904, being 70% of the maximum of 100% of salary, reflecting good performance across the target metrics.

As noted in last year's report, in 2023 the Company moved to a more standard LTIP structure with forward-looking three year performance measures from the time of award. As a result, Mr Cronin received an LTIP award over 434,272 shares, which can vest after 3 years, to the extent that the pre-set performance conditions are met. As required by ASX rules, Mr Cronin's 2023 LTIP award was approved by shareholders at the 2023 AGM.

Remuneration policy – proposed application in 2024

Following approval of a new Directors' remuneration policy at the 2023 AGM, our intention is to continue to apply remuneration in accordance with this policy in 2024.

In terms of actions which we have already taken for 2024, we have reviewed our CEO's fixed pay. Mr Cronin's effective salary continues to comprise two elements: board fees paid in BAM and consultancy fees. While the board fees for 2024 remain unchanged, the consultancy fees element has been increased to £370,000 (2023: £328,000).

All other elements of fixed pay remain unchanged. This is the second year in which Mr Cronin has received an increase in his consultancy fees ahead of normal "salary inflation" levels. In 2023, his consultancy fees were increased to £328,000 (2022; £225,000) and for 2024, his consultancy fees have been increased to £370,000.

As a Committee we believe Mr Cronin's overall base remuneration (board fees paid in BAM and £370,000 consultancy fees) remain at a level which we believe to be appropriate for a company of the size and scale of Adriatic as the company has become more established and commenced production; the increases reflect Mr Cronin's leadership and contribution to Adriatic's progression, and whilst the new base remuneration levels are ahead of the levels paid in our first years after IPO, the total base remuneration paid to Mr Cronin is not ahead of "market expected levels" for other international mining companies of similar scale and stage of development. His 2024 base remuneration is consistent with the median of a peer group of international mining companies.

Mr Cronin will participate in the Company's STIP during 2024 and it is proposed he will receive a 2024 LTIP award, subject to approval by shareholders at the 2024 AGM. Further details of the 2024 STIP and LTIP awards are provided in the Remuneration Report below.

Remuneration & Nomination Committee

Remuneration & Nomination Committee meetings are normally held at least once a year and the Committee met 5 times during the year ended 31 December 2023. Additionally, matters for its consideration were discussed at Board meetings on several 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 Committee's Charter. The Remuneration & Nomination Committee comprises Peter Bilbe (Chair), Julian Barnes and Sandra Bates, all of whom have been deemed by the Board to be independent.

Context within which Remuneration managed

As detailed elsewhere in this Annual Report, during the year the Company achieved considerable progress towards its main objective of developing the Vareš Project. In particular, all project-related infrastructure construction is complete and commissioning of the Vareš Processing Plant is underway. The first major milestone was achieved in Q1 2024 with first concentrate produced at the Vareš Project.

Principal actions and decisions of the Committee

The Remuneration & Nomination Committee have taken the following principal actions and made the following principal decisions during 2023 and after the year end:

- Approving the annual STIP bonus outcomes and associated bonus payments to the CEO and senior management in respect of 2022, as well as setting the KPI targets for the 2023 Annual STIP bonus.
- Obtaining approval from shareholders for a new Directors' remuneration policy that will apply for up to 3 years from the 2023 AGM.
- Approving 2023 LTIP awards to the Executive Director and senior management, including setting the performance conditions and associated targets.
- Approving the base remuneration increase for the CEO for 2024 and base remuneration increases for certain other staff at all levels across the Group.
- Approving the annual STIP bonus outcomes and associated bonus payments to the CEO and senior management in respect of 2023, as well as setting the KPI targets for the 2024 annual STIP bonus.
- Approving the grant of LTIP awards to senior management, including the in-principle grant of a 2024 LTIP award to the CEO (subject to approval at the 2024 AGM), including setting the performance conditions and associated targets for the 2024 LTIP awards.

AGM

At our AGM held on 24 May 2023, each of the proposed remuneration resolutions were passed with strong support (details of the votes are set out in the Annual Report on Remuneration, below). We thank our shareholders for their continued support.

As we explained in the introduction to this statement, at our 2024 AGM we will be asking shareholders to approve:

- The normal annual advisory vote to approve this Directors' Remuneration Report; and
- A vote to approve the proposed share award to Paul Cronin.

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.

Peter Bilbe
Chairman of Remuneration Committee

PART 2 – REMUNERATION REPORT (AUDITED)

The Group paid the following remuneration to each Director:

Year ended 31 December 2023

(In USD)	Total salaries and fees[a]	Benefits[b]	STIP[c]	Share awards vesting in year[d]	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors							
Paul Cronin	476,183	60,503	329,904	-	**866,590**	536,686	329,904
Non-Executive Directors							
Michael Rawlinson	124,296	-	-	-	**124,296**	124,296	-
Peter Bilbe	66,040	-	-	-	**66,040**	66,040	-
Julian Barnes	62,384	-	-	-	**62,384**	62,384	-
Sandra Bates	68,363	-	-	-	**68,363**	68,363	-
Sanela Karic[e] [f]	89,133	-	-	-	**89,133**	89,133	-
Total Directors' Remuneration	**886,399**	**60,503**	**329,904**	**-**	1,276,806	**946,902**	**329,904**

Year ended 31 December 2022

(In USD)	Total salaries and fees[c]	STIP	Share awards vesting in year[d]	Total remuneration	Total fixed remuneration	Total variable remuneration
Executive Directors						
Paul Cronin	328,706	272,597	-	**601,303**	328,706	272,597
Non-Executive Directors						
Michael Rawlinson	123,146	-	-	**123,146**	123,146	-
Peter Bilbe	68,684	-	-	**68,684**	68,684	-
Julian Barnes	62,007	-	-	**62,007**	62,007	-
Sandra Bates	67,730	-	-	**67,730**	67,730	-
Sanela Karic[f]	115,724	-	-	**115,724**	115,724	-
Total Directors' Remuneration	**765,997**	**272,597**	**-**	**1,038,594**	**765,997**	**272,597**

Notes:

a. Mr Cronin's salary comprises two elements, being: (i) board fees paid in BAM ($54,963); and (ii) and consultancy fees of £328,000 ($421,220). An overpayment of £10,000 ($12,842) was made in error to Mr Cronin during 2023 which will be offset during 2024.

b. There were no taxable benefits or pension contributions in 2022 and no pension contributions in 2023. Paul Cronin received an annual travel allowance of GBP 50,000 ($60,503) in 2023.

c. Cash bonus for Paul Cronin comprised $329,738 of accrued 2023 STIP bonus for the current year with an additional $166 of realized foreign exchange gain in USD terms during 2023 for 2022 STIP bonus paid in January 2023. This compares to the prior year accrued 2022 STIP bonus awarded of $279,887 with a realized foreign exchange loss in USD terms of ($7,290). Details of the performance outcomes for the 2023 STIP bonus are set out below.

d. No options or performance rights held by Directors vested during 2023 or 2022.

e. Out of the total remuneration to Ms. Karic in 2023 set out above, $65,616 was paid in respect of director's fees and $23,517 was paid in respect of the separate consulting arrangement with Ms. Karic, which came to an end during 2023.

f. The Company benefits from Sanela Karic's continued involvement providing legal expertise to the Group, through her law firm, Legal Solutions d.o.o. Whilst Legal Solutions provides these services, Ms. Karic cannot be classified as an independent board member. Please refer to note 20 of the consolidated financial statements regarding the provision of services by Legal Solutions d.o.o.

There were no gains on the exercise of performance rights by Directors in the current year or prior year.

Gains on the exercise of share options by Directors during the year ending 31 December 2023 were as follows:

	Date of Grant	Vesting date	Date of exercise	Exercise price	Number of share options exercised	Net shares received post any cashless exercise	Share price on date of exercise	Gain on exercise
Sanela Karic	06/11/2020	06/11/2020	10th February 2023	A$2.20	1,000,000	326,216	A$3.40	US$829,297

The exercise price is calculated based on the share price at date of the agreement being entered into between the Company and the Director and may not be the same as the share price on the date of grant due to timing differences arising as a result of the ASX requirement for shareholders to approve all options and share awards to Directors.

No share awards were granted to Non-Executive Directors during the years ended 31 December 2022 and 2023.

Fixed remuneration of the Executive Director

The fixed remuneration of the Executive Director was US$476,183 during 2023 made up of a board fee being BAM 99,352 stated gross of tax (BAM 54,144 stated net of taxes) and consultancy fees of £328,000 (the basis of conversion being monthly average GBP to USD exchange rates throughout the year).

Note that in Bosnia taxes are deducted at source from board fees, as is customary under local tax practice. This means that the gross amount is variable in order to achieve a fixed net amount after taxes are deducted (net of tax, board fees were BAM 54,144 in both 2022 and 2023). This perspective of calibrating fees on a net of tax basis reflects local custom and practice.

In addition, in 2023 the Executive Director received an annual travel allowance of GBP 50,000.

Annual STIP bonus in respect of 2023 performance

Mr. Cronin's maximum opportunity under the STIP was set as 100% of base salary for 2023.

Objectives for the 2023 STIP bonus were set by the Remuneration and Nomination Committee at the beginning of the year and assessment of performance during the year was undertaken at the January 2024 Committee meeting. The determination of the bonus payout is at the discretion of the Remuneration and Nomination Committee, taking into account performance during the year against the scorecard set out below.

The Remuneration & Nomination Committee's actual assessment of the CEO's performance for 2023 resulted in a STIP bonus of 70% of base salary ($329,738) which was paid in cash in January 2024.

Details of the STIP bonus outcome for the CEO for 2023, including the specific performance metrics, weightings and performance against each of the metrics, are provided in the table below.

			Target thresholds (outcome)					
	Target Details	Weighting	Low 25%	Expected 75%	High 100%	Achievement	Performance outcome	Achievement Notes
Demonstrate Exploration Potential	At least 5,000m of exploration drilling on expansion targets (excl. Rupice)	5%	5,000m completed	Low Target plus new potentially economic Ore Body identified	Low Target plus 2 new potentially economic Ore Bodies identified	High	5.0%	Two early stage projects identified
Demonstrate Rupice Expansion Potential	Increase to Resource and Reserves	15%	30% increase	50% increase	75% increase	High	15.0%	M&I Resource increase by 96%
Project Cost Control	Total Cost of Vareš Project Development does not exceed US$ 183m on commencement of commercial production	15%	Cost <$190m	Cost <$185m	Cost <$183	High	15.0%	EAC at end Dec of $188.9m - less $28.1m out of scope = $160.8m [a]
Project Delivery	Commercial Production commences before 30/9/2023	15%	Before 30/11/23	Before 15/10/23	Before 30/9/23	Not Achieved	0.0%	Not achieved.
Ramp Up	Daily Ore to stockpile exceeds 50% of plant nameplate capacity by 31/12/23	15%	Exceeds 30%	Exceeds 50%	Exceeds 65%	Not Achieved	0.0%	Not achieved.
OH&S	Total Recordable Injury Frequency Rate decrease from December 2022 Level	20%	>20%	>30%	>40%	High	20.0%	Dec 22 was 4.24 Dec 23 is 1.4
Project Finance	Compliance with all Covenants	5%	2 Events of Default Resolved within Cure Period	1 Event of Default Resolved within Cure Period	No Events of Default	High	5.0%	No Events of Default
Staff Engagement	The results of a general company-wide staff engagement survey targeting an 'unfavourable' score of <15%	5%	<30%	<30% >15%	<15%	High	5.0%	11% Unfavourable
Diversity	Ensure that at least 20% of all staff are female but excluding contractors	5%	>17%	>20%	>23%	High	5.00%	Currently 28%
						Total	**70.0%**	

a. This excludes out of scope costs reflecting additional and necessary expenditure on items which were beyond the scope of the Definitive Feasibility Study (DFS) and which were approved by the Board in order to enhance the project. This includes expenditure reflecting changes to the design of the plant, mine or haul road subsequent to the DFS being finalized and specifically the acquisition of Jameson cells and additional diesel generators, the temporary tailings storage facility and staff accommodation at Veovaca Camp. As the expenditure was approved by the Board and considered to be in the long-term interests of shareholders, these costs items have accordingly been excluded by the Remuneration Committee for the calculation of the Project Cost Control metric.

Long term equity incentives

On 24 May 2023, Paul Cronin was granted two LTIP awards under the Adriatic Metals plc Employee Incentive Plan 2019, following approval of each award by shareholders at the 2023 AGM, as follows:

- an award over 142,778 shares in respect of the 2022 financial year (FY22 Performance Rights); and
- a separate award over 434,272 shares in respect of the 2023 financial year (FY23 Performance Rights).

The new Directors' Remuneration Policy approved at the 2023 AGM means that only awards in the form of the FY23 Performance Rights (as described below) can be made in the continuing policy period.

i). FY22 Performance Rights

Vesting of the FY22 Performance Rights is subject to Mr Cronin remaining employed or otherwise engaged by the Company as Managing Director and Chief Executive Officer until 1 January 2026. Any vested shares resulting from the FY22 Performance Rights will be subject to a further two-year holding period.

ii). FY23 Performance Rights

Vesting of the FY23 Performance Rights is subject to Mr Cronin remaining employed or otherwise engaged by the Company as Managing Director and Chief Executive Officer until 24 May 2026. In addition, the FY23 Performance Rights are subject to satisfaction of the performance conditions set out in the table below. Any vested shares resulting from the FY23 Performance Rights will be subject to a further two-year holding period.

Performance measure	Weighting	Summary of targets
Absolute Total Shareholder Return (TSR) (measured as compound annual growth (CAGR) in TSR)	15%	17% or more CAGR: 100% vesting 9% CAGR: 60% vesting 5% CAGR: 25% vesting Below 5% CAGR: nil vesting Straight-line vesting between these points
Relative Total Shareholder Return (measured against relative performance of a group of peer companies, listed below)	20%	Upper quartile plus 20%* or better: 100% vesting Upper quartile: 60% vesting Median: 25% vesting Straight-line vesting between these points * Measured as % increase above TSR performance of Upper Quartile ranked company
Resource Growth (measured as compound annual resource growth)	35%	20% or more compound annual growth: 100% vesting 15% compound annual growth: 60% vesting 10% compound annual growth: 25% vesting Below 10% compound annual growth: nil vesting Straight-line vesting between these points
Sustainability Metrics	30%	(a) Diversity (15%): Measured against annual targets for gender and disability diversity. (b) National staff development (5%): Measured against annual targets for national workforce at operating sites. (c) CO_2 emissions reduction plan (10%): Measured against annual targets for reduction in Scope 1 and Scope 2 CO_2 emissions.

Notes:

1. The performance conditions applicable to the FY23 Performance Rights will each be measured over the three financial years 2023 to 2025.
2. Peer group for Relative TSR performance condition: Atalaya Mining PLC, Trilogy Metals Inc., Bear Creek Mining Corporation, Discovery Silver Corp., Chaarat Gold Holdings Limited, Aurelia Metals Limited, Sandfire Resources Limited, SilverCrest Metals Inc., MAG Silver Corp., New Pacific Metals Corp., Dundee Precious Metals Inc., Osisko Mining Inc., Horizonte Metals PLC, Central Asia Metals PLC, Bellevue Gold Ltd.
3. Compound annual resource growth is measured by reference to annual growth of in-situ value of Group resources (including measured, indicated and inferred), and multiplied without recovery adjustments by the relevant commodity prices at the time.

Further details of the performance conditions that apply to the FY23 Performance Rights are provided in the 2023 AGM Notice.

Statement of the Directors' shareholdings and share interests (audited)

The interests in the Company's shares and other securities directly or indirectly held by Directors at 31 December 2023 who served during the year is set out below:

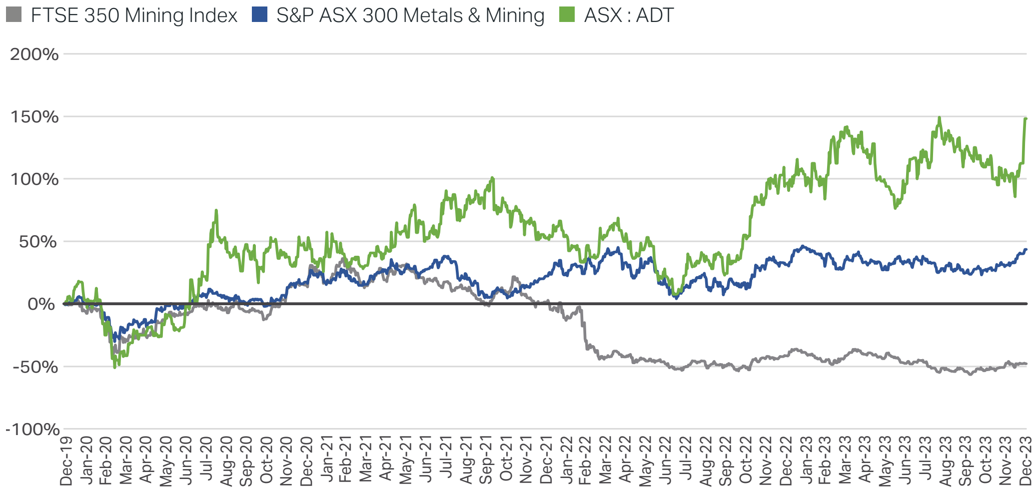
	Shareholding requirement as a % of salary	Number of Ordinary Shares	Percentage of Issued Share Capital	Shareholding guideline met?	Number of Performance Rights[1]	
					Subject to performance measures	Not subject to performance measures
Paul Cronin	200%	17,301,332	5.91%	Yes	434,272[2]	142,778[2]
Peter Bilbe	n/a	1,050,000	0.36%	n/a	-	-
Michael Rawlinson	n/a	411,960	0.14%	n/a	-	-
Julian Barnes	n/a	1,000,000	0.34%	n/a	-	-
Sandra Bates	n/a	-	-	n/a	-	-
Sanela Karic	n/a	326,216	0.11%	n/a	-	-
		20,089,508			**434,272**	**142,778**
Total in issue at 31 December 2023		292,734,419			2,062,071	
Percentage held by Directors that served during the year		6.86%			27.98%	

Notes:

1. At 31 December 2023, none of the Performance Rights in the table above held by Directors had vested.
2. Performance Rights over a total of 577,050 shares were granted to Paul Cronin during 2023. Further details are set out above in the section headed 'Long term equity incentives'.

UK performance graph against CEO remuneration

The Directors have considered the requirement for a UK performance graph comparing the Company's relative shareholder return with that of a comparable indicator. The comparable indicators chosen are indexes in similar industry classification on exchanges in which the Group are listed, being the FTSE 350 Mining Index and S&P ASX 300 Metals & Mining. The chart below illustrates the Company's share price performance during the year compared to relevant market indices:



CEO pay table (audited)

Period end	Total remuneration $'000	Fixed $'000	Annual bonus payment level achieved (% of maximum opportunity)	LTIP vesting level achieved (% of maximum opportunity)
Dec 2023	867	537	70%	n.a
Dec 2022 (12m)	601	329	90%	n.a.
Dec 2021 (12m)	2,060	335	50%	n.a.
Dec 2020 (6m)	140	140	n.a.	n.a.
June 2020 (12m)	1,083	262	n.a.	n.a.

The Company has operated a structured annual bonus plan since 2021. Before this the Company used key performance indicator bonuses which did not correspond to specific one year periods. KPI bonuses totaling $96,262 were paid in cash during year ended December 2021 in respect of the issue of exploitation permits for Veovaca and Rupice, and of $37,812 in year ended June 2020 in respect of the achievement of the London Stock Exchange Listing.

Prior to 1 January 2021, the Company's policy was 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 did not correspond to the Company's annual financial cycle. Performance rights held by the Executive Director vested on completion of a JORC compliant feasibility study and the meeting of the share price performance condition during year ended December 2021 and had a value at vesting of $1,497,409. Performance rights held by the Executive Director vested during year ended June 2020 and had a value at vesting of $782,369.

Percentage change in remuneration of Directors and employees

The table below outlines the % change in salary, other pay and benefits and annual bonus for the year ended 31 December 2023 compared to the preceding year for each Director in comparison to the wider UK and expatriate workforce.

	% change from 2022 to 2023			% change from 2021 to 2022		
	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus
Employees[1,2]	6.6%	0%	(40.3%)	78.9%	100%	32.5%
Executive Director:						
Paul Cronin	44.9%	100%	21.0%	-1.8%	0%	19.5%
Non-Executive Directors:						
Michael Rawlinson	0.1%	n.a	n.a	79.0%	n.a	n.a
Peter Bilbe	-3.8%	n.a	n.a	69.4%	n.a	n.a
Julian Barnes	0.1%	n.a	n.a	50.2%	n.a	n.a
Sandra Bates	0.1%	n.a	n.a	64.1%	n.a	n.a
Sanela Karic	-23.0%	n.a	n.a	446.4%	n.a	n.a

Notes:

1. The strict legal requirement is to provide only details of employees of Adriatic Metals plc. As the listed entity has only a few employees, we have decided to disclose voluntarily in respect of all UK and expatriate group employees.
2. The average percentage change in employee remuneration was calculated using the movement in mean values (in respect of each element of remuneration) between the relevant years. The relevant mean values were calculated by dividing the aggregate total of each element of remuneration for all group employees during the year (calculated on a full time equivalent basis) by the total number of Group employees.

CEO to employee pay ratio

During 2023 the average number of UK employees of the Company (and the wider Group) was not more than 250 and accordingly the Company is not required to provide CEO to employee pay ratio information. If in future years, the Company meets the qualifying condition then this information will be produced.

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 alongside the total group general and administration expenses and capex. These items are included because they are important items for the Company. The Company made no distributions to shareholders during 2022 or 2023.

(In USD)	Year ended 31 December 2023	Year ended 31 December 2022	% change
Cash remuneration	12,703,118	7,148,757	
Monetary value of vested share awards	1,129,518	569,633	
Total remuneration	**13,832,636**	**7,718,390**	**+79%**
Average number of employees	296	158	
G&A expenses*	**9,845,197**	**5,183,317**	**+90%**
Exploration expenses*	2,090,498	1,361,548	
Property, plant and equipment additions*	128,552,342	39,262,082	
Total exploration and capex	**130,642,840**	**40,623,630**	**+222%**

* Adjusted to exclude remuneration included in the amounts set out in note 16

Advice on remuneration

During the year, in order to enable the Committee to reach informed decisions on executive remuneration, advice on market data and trends was obtained from independent consultants FIT Remuneration Consultants LLP (FIT). FIT are signatories to and abide by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). The fees paid to FIT in respect of work carried out in 2023 were £67,795.50 ($85,475), excluding expenses and VAT, and were charged on the basis of FIT's standard terms of business for advice provided. Other than advice on remuneration and share schemes, no other services were provided by FIT to the Company. The Committee is satisfied that the advice provided by FIT in 2023 was independent and objective.

During the year, h2glenfern Remuneration Advisory (h2glenfern) provided limited advice to the Company in relation to benchmarking advice and its remuneration report disclosures. Fees of £10,000 ($11,470) exclusive of VAT were paid. h2glenfern is a member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct. The Committee considers the advice that it receives from h2glenfern to be independent.

Other disclosures on remuneration for the year ended 31 December 2023

No payments were made to Directors for loss of office during the year. There were no payments during the year to past directors.

Statement of voting at AGM

The table below shows the results of the binding vote on the Directors' remuneration policy and of the advisory vote on the 2022 Annual Report on Remuneration at our 2023 AGM:

	2023 Directors' Remuneration Policy		2022 Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	122,729,918	99.95%	122,738,399	99.95%
Against	64,419	0.05%	55,938	0.05%
Total votes cast (excluding withheld votes)	122,794,337		122,794,337	
Votes withheld	25,544		25,544	

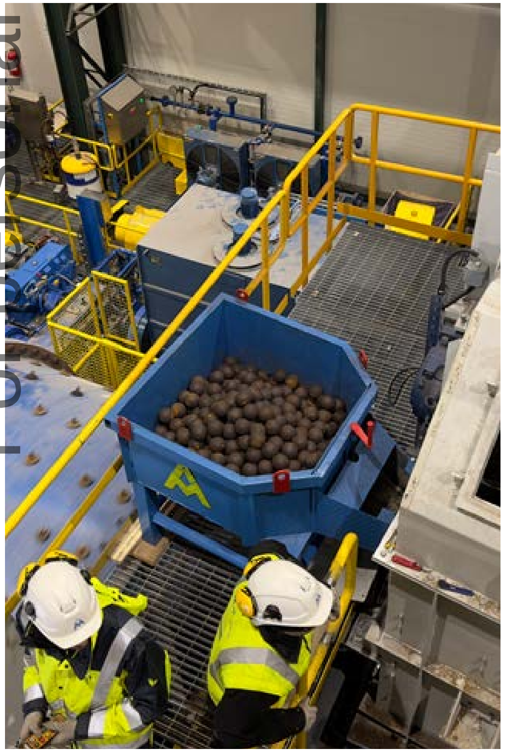
REMUNERATION POLICY IN 2024

Executive Director's Fixed Remuneration

Effective 1 January 2024, the fixed remuneration of the Executive Director will comprise board fees paid in BAM (unchanged from 2023) and consultancy fees of £370,000 (increased by 12.8% from £328,000 in 2023).

The Executive Director is also entitled to a travel allowance of up to £50,000 (unchanged from 2023 maximum allowance).

At the exchange rate on 31 December 2023 (being GBP:USD 1.27312), the total amount of fixed remuneration for the Executive Director for 2024 will be approximately $589,673.



2024 Short Term Incentive Plan (STIP) and KPIs

The target areas for 2024 and their weightings within the bonus are:

Target Area		Target Area	Weighting
Growth & Profitability	1.	Exploration Growth and ROI	5.0%
	2.	Growth in Development Asset Pipeline	5.0%
	3.	Effective Capital Management	2.5%
	4.	Cost of Capital	5.0%
	5.	Progress on refinancing and strategic advancement through M&A	5.0%
Operational Discipline	1.	Effective Management of Project Cost	5.0%
	2.	Operational Effectiveness - Production Ramp Up	5.0%
	3.	Operational Effectiveness - Underground Development	8.0%
	4.	Operational Effectiveness - Plant Performance	8.0%
People	1.	Increase Staff Engagement	5.0%
	2.	Diversity	5.0%
	3.	Maximise Staff Retention	5.0%
	4.	Cultural Awareness	5.0%
Sustainability	1.	Occupational Health & Safety	12.0%
	2.	Minimise frequency and impact of Environmental Incidents	8.0%
	3.	Contractor Management Plan Implementation	4.5%
	4.	Increase Stakeholder Perceptions of Company in Local Community	7.0%
			TOTAL 100%

Further details of the target thresholds are commercially sensitive and will be disclosed together with information on actual performance in each area in our 2024 Directors' remuneration report.

The potential maximum percentage of base salary achievable as a bonus under the STIP for the Executive Director is 100% of base salary and consultancy fees. The Executive Director's bonus is based solely on corporate objectives.

2024 STIP bonuses earned are expected to be paid in either cash or equity in early 2025.

Long Term Incentive Plan (LTIP)

The Committee will make awards in 2024 to the Executive Director at a level of up to 200% of base salary and consultancy fees. Vesting will be based on substantially the same performance measures as those set for the FY23 LTIP awards (as disclosed in the 2023 AGM notice).

The proposed performance conditions for the FY24 LTIP awards as follows:

- Absolute Total Shareholder Return (15% weighting)
- Relative Total Shareholder Return (20% weighting)
- Resource Growth (35% weighting)
- Sustainability Metrics - diversity, national staff development and CO_2 reduction plan (15%, 5%, 10% weightings respectively)

Each performance condition is to be measured over the three financial years 2024 to 2026. Full details of the performance measures will be provided in the Directors' remuneration report for the 2024 financial year.

A two year holding period will apply to any vested shares resulting from the 2024 LTIP award.

Chairperson and Non-Executive Directors

The fees for the Chairperson and Non-Executive Directors have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its committees. Following a review of fee levels in 2023 which recognised the increasing workload for Non-Executive Directors over a number of years, the fee levels will be increased from 1 January 2024, as set out in the table below.

Position	Annual fee level from 1 January 2024 (£'000 p.a.)	Previous fee level (£'000 p.a.)
Chairperson fee	140	100
Non-Executive Director base fee	60	50
Committee Chairperson fee	10	5

Historically, the Chairman's and Non-Executive Directors' remuneration has been pitched at modest levels with one-off option awards. As an ASX listed company, all share awards to Directors have been approved by shareholders. However, as we explained last year, the Company does not intend to grant further share options to our Chairman or Non-Executive Directors.

PART 3 – REMUNERATION POLICY

The Company's Directors' remuneration policy ('Policy') seeks to provide a strong and clear link between business strategy and incentive arrangements.

The current Policy for executive and non-executive directors was approved by shareholders at our 24 May 2023 AGM and can be found on pages 25 to 33 of the notice for the 2023 AGM.

The Remuneration Committee is not proposing to make any changes to the Policy approved by shareholders at the 2023 AGM.

Key extracts of the current Policy are shown below for information.

POLICY TABLE

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, and contribution in the role.	Base salaries are set by the Remuneration & Nomination Committee (Committee) and reviewed annually. Increases are effective from 1 January, although increases may be awarded at other times if the Committee considers it appropriate. In determining base salaries, the Committee 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 levels would be aligned with the contribution rate for the majority of group employees.	If introduced, the maximum amount would be 10% of base salary plus consultancy fees.	None.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Bonus	Rewards and incentivises the achievement of annual objectives which are aligned with key strategic goals and supports the enhancement of shareholder value.	Awards are based on performance typically measured over one year. Any payment is discretionary and pay-out levels are determined by the Committee after the year end based on performance against pre-set targets. Paid in cash following determination of outcomes. Bonuses are non- pensionable. Bonuses 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.	Targets are set annually with measures linked to the Group's strategy and aligned with key financial, strategic and/or individual targets. The performance measures applied may be financial or non-financial, corporate, divisional or individual, and in such proportions as the Remuneration Committee considers appropriate. A graduated scale of targets is set for each measure, with no pay-out for performance below a threshold level of performance, and up to 25% available at threshold. The Committee has discretion to amend the vesting level should any formulaic outcome not reflect the Committee's assessment of overall business performance, including consideration of shareholder experience.
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 the 2019 share incentive plans which vest subject to performance conditions triggering the payment of specified amounts. Awards will be granted with vesting dependent on the achievement of performance conditions set by the Committee, with performance normally measured over at least a three-year performance period. Shares acquired pursuant to the vesting of awards (net of shares equal to any tax liability and nominal cost of acquisition) will be subject to a two-year holding period following the end of the performance period. Dividends or dividend equivalents may accrue on awards, to the extent they vest.	Market value of award will not normally exceed 200% of the individual's salary and consultancy fees for any financial year. In exceptional circumstances, such as initial awards, awards to facilitate hiring and/or new strategic periods, market value at award may be up to 300% of salary and consultancy fees for any financial year. In applying market values for these purposes the Committee will apply one-month averaging periods prior to the commencement of a relevant financial year and appropriate FX rates where needed.	LTIP performance measures may include, but are not limited to, financial, TSR, strategic and ESG-related objectives. The Committee retains discretion to set alternative measures and weightings for awards over the life of the Remuneration Policy. Targets are set and assessed by the Committee in its discretion. A maximum of 25% of any element vests for achieving the threshold performance target and 100% for maximum performance. The Committee has discretion to amend the vesting level should any formulaic outcome not reflect the Committee's assessment of overall business performance, including consideration of shareholder experience.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Chairman and Non-executive fees	Fees for the Chairman and 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 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. The Chairman is paid an all-inclusive fee for all Board responsibilities. Fees for the other Non-Executive Directors may include a basic fee and additional fees for further responsibilities (for example, chairing of Board committees or holding the office of Senior Independent Director). The Company repays any reasonable expenses that a Non-Executive Director incurs in carrying out their duties as a Director, including travel, hospitality-related and other modest benefits and any tax liabilities thereon, if appropriate. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro rata basis to recognise the additional workload.	The Company's Articles of Association (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 £400,000 per annum, being the quantum approved by Shareholders at the annual general meeting held on 6 November 2020. This includes fees paid to the Company Chairman. It is proposed to increase this limit to £600,000 subject to shareholder approval at the AGM 2023.	None.

Malus and Clawback

Both the annual bonus plan and the LTIP will include provisions which enable the Committee to recover or withhold value from these incentive plans in the event of certain defined circumstances (i.e. a material misstatement of the Company's financial results, an error of calculation (including on account of inaccurate or misleading information) or in the event of serious misconduct, serious reputational damage or corporate failure).

Shareholding guidelines

In order to further align the Executive Directors' long-term interests with those of shareholders, the Group operates share ownership guidelines. The guidelines provide that the Executive Directors are required to build up and maintain (as relevant) a level of shareholding in the Company equivalent in value to 200% of base salary. This guideline will apply whilst in the role and for a period of two years post cessation of employment.

Executive Director's service contracts

Prior to 1 January 2021, the services of the CEO and Managing Director had been provided under a service contract between the Company and Swellcap Limited with a commencement date of 1 July 2019. This was not of a fixed duration and was terminable by either party giving six months' written notice.

Following Mr. Cronin's permanent relocation to Bosnia & Herzegovina on 1 January 2021, the Company, Swellcap Limited and Mr. Cronin entered into an agreement pursuant to which the service contract between Swellcap Limited and the Company dated 1 July 2019 was terminated. The Company entered into a new consultancy agreement on substantially the same terms directly with Mr. Cronin with a commencement date of 1 January 2021. No compensation was paid or will be paid to either Swellcap Limited or Mr. Cronin in connection with these changes. The contract is not of a fixed duration and is terminable by either party giving six months' written notice.

Contracts entered into with any additional Executive Directors will have a notice period not exceeding 12 months.

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

When recruiting a new Non-Executive Director, the Remuneration & Nomination 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 Articles and re-election by shareholders in accordance with the provisions contained in the Articles.

The terms and conditions of appointment and letters of appointment of Non-Executive Directors and all the Directors' service contracts are available for inspection at the Company's registered office.

Peter Bilbe
Chairman of Remuneration Committee

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 12-month financial year ended 31 December 2023. 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 year and to the date of this report are:

- **Michael Rawlinson*** (Chairman)
- **Peter Bilbe*** (Non-Executive Director)
- **Paul Cronin** (Managing Director and CEO)
- **Julian Barnes*** (Non-Executive Director)
- **Sandra Bates*** (Non-Executive Director)
- **Sanela Karic** (Non-Executive Director)

* Determined by the board to be independent in accordance with the Quoted Company Alliance's Corporate Governance Code (QCA Code).

The joint company secretaries are Jonathan Dickman and Gabriel Chiappini.

RESULTS AND DIVIDENDS

The Group results for the year ended 31 December 2023 are set out in the Financial Review on page [36].

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 Vareš Project, no interim dividend was paid and no final dividend is recommended for the year ended 31 December 2023.

SHARE CAPITAL

The Company was granted authority at the 2023 AGM to allot shares in the capital of the Company up to a maximum nominal amount of £1,236,956, (equivalent to 92,621,190 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 of the movements in the Company's issued share capital during the year.

The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.

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 auditors of Adriatic Metals PLC since 2020 and will be proposed for re-appointment at the 2024 Annual General Meeting.

DIRECTORS' INTERESTS

Information on share ownership, options and performance rights held by Directors can be found in this report and in the Remuneration & Nomination Committee Report.

SUBSTANTIAL SHAREHOLDINGS

The Company's issued share capital as at 31 December 2023 was 292,734,419 ordinary shares and at 27 March 2024 was 306,222,045 ordinary shares with each share carrying the right to one vote. No shares are held in treasury.

At 31 December 2023, 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
Helikon Investments	52,720,344	18.01
T Rowe Price	29,370,081	10.03
Orion Asset Management	24,191,000	8.26
Paul Cronin	17,301,232	5.91
Milos Bosnjakovic	12,000,000	4.10
Eric De Mori	10,501,631	3.59
	135,595,576	**46.32**

At 29 February 2024, being the latest practicable date before the approval of the Annual Report and Accounts, the Company had been notified, pursuant to DTR 5 that the above positions had changed.

Shareholder	Shares	% ICI
Helikon Investments	53,042,555	17.97
Orion Asset Mgt	24,191,000	8.19
Mr Paul D Cronin	17,301,232	5.86
T Rowe Price	17,202,981	5.83
Mr Milos Bosnjakovic	12,000,000	4.06
T Rowe Price International	11,606,199	3.93
Mr Eric De Mori	10,501,613	3.56
Old West Investment Mgt	9,160,278	3.10

Changes in interests that have been notified to the Company pursuant to DTR 5 since 29 February 2024 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/.

ADDITIONAL DISCLOSURES

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R, where applicable, can be found in the following parts of this Annual Report:

Section	Matter	Location
(1)	Interest capitalized	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long term incentive scheme	Remuneration & Nomination Committee Report page [95]
(5)	Waiver of emoluments by a Director	Remuneration & Nomination Committee Report page [95]
(6)	Waiver of future emoluments by a Director	Not applicable.
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	As item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)(a)	Contract of significance in which a Director is interested	Not applicable
(10)(b)	Contract of significance with controlling shareholder	Not applicable
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreement with controlling shareholder	Not applicable

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 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 the financial instruments, can be found in note 12 to the consolidated financial statements, and in the sections on Corporate Governance and Internal Control on page [81] and Risk Management on page [40].

Political donations

Neither Adriatic Metals PLC nor its subsidiaries have 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 will be set out in the Notice of the AGM.

Going concern

The Vareš Feasibility Study was completed in August 2021 and an equity raise was successfully closed on 29 October 2021. Definitive documentation executed for the $142.5m Debt Finance Package with Orion was announced on 10 January 2022 to provide sufficient funds to complete the Vareš Project construction and cover ongoing owner costs until production commenced. Of this total, $112.5m was drawn down prior to 31 December 2023 , including the $22.5m Copper Stream deposit, and $30m was drawn down in January 2024. In August 2023 the Company raised $30m equity, net of costs. In March 2024, the QRC convertible debt was converted into shares.

As announced on 30 January 2024 in the Company's Quarterly Activity Report for the quarter ended 31 December 2023, the Project cost estimate was $188.9m, and on 28 February the Company announced that it had produced its first concentrate, with production planned to ramp up to its nameplate processing capacity of approximately 65,000t per month by Q4 2024.

Sensitivity analysis of production ramp up and potential revenue delays indicates that the Group and Company have 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. For a mining company at the start of its operating phase, uncertainty exists about operating results and cash flows. In a challenging operational scenario, the Company would have the option of reducing and/or deferring discretionary expenditure including overheads, sustaining capex and general and administrative costs, as well as raising equity capital in the event of a more severe impact on production and revenues.

A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion Debt Finance Package, with the first DSCR testing period expected to be mid-2025, following the agreement in January 2024 to defer the first repayment under the Debt Finance Package from June 2024 to December 2024. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this.

The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

Post balance sheet events

Please refer to note 25 in the consolidated financial statements for a detailed report on major events that occurred after 31 December 2023.

Likely future developments

The Company's key future development is completion of the production ramp up at the Vareš Mine with nameplate processing capacity of approximately 65,000t per month targeted to be reached by Q4 2024.

Annual General Meeting ("AGM")

The date and location of the 2024 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 2023 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.

SEDAR Reporting

The Company is subject to the regulatory requirements of the ASX and the Australian Securities and Investments Commission. It is also a reporting issuer under the securities laws of certain provinces of Canada. The Company is a "designated foreign issuer" as defined under Canadian National Instrument 71-102 - Continuous Disclosure and Other Exemptions Relating to Foreign Issuers ("NI 71-102"), and, as such, is generally permitted to meet certain Canadian disclosure requirements by complying with the disclosure requirements of the ASX and the Australian Securities and Investments Commission. The Company files documents required by NI 71-102 in Canada on its profile at www.sedarplus.ca

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 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 2024 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. All substantive resolutions at a meeting of security holders are decided by poll rather than by a show of hands.

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 Information section of the Annual Report.

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 AUDITORS

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

So far as they are 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 s418 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 27 March 2024.

By order of the Board

Michael Rawlinson
Chairman of the Board

Statement of directors' 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 are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that year. 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:

- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006;
- 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 UK adopted international accounting standards; 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 Financial Statements have been prepared in accordance with the applicable set of accounting standards, 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

Strong capital control & cash position

Independent auditors' report to the members of Adriatic Metals PLC

OPINION ON THE FINANCIAL STATEMENTS

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 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Adriatic Metals Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, notes to the consolidated financial statements, the parent company statement of financial position, the parent company statement of changes in equity and notes to the parent company financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice FRS 101 "Reduced Disclosure Framework"), as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit and risk committee.

Independence

Following the recommendation of the audit and risk committee, we were appointed by the Board of Directors on 28 May 2020 to audit the financial statements for the period ending 30 June 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the period ended 30 June 2020 and the years ended 31 December 2021 to 31 December 2023. We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Please refer to the KAM section for the detailed explanation on our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	92% (2022: 97%) of Group loss before tax 99% (2022: 99%) of Group total assets		
Key audit matters		2023	2022
	Going concern	Yes	No
	Valuation and accounting for the Orion Copper streaming arrangement	Yes	No
	Valuation of subsidiary investment balances in the Parent Company accounts	No	Yes
	Carrying value and impairment of exploration and evaluation assets, and license compliance	No	Yes
	Valuation of subsidiary investment balances in the Parent Company accounts and the carrying value and impairment of exploration and evaluation assets and license compliance are no longer considered to be key audit matters because there were no further indicators of impairment in the current year.		
Materiality	**Group financial statements as a whole** $4,350,000 (2022: $2,600,000) based on 1.5% (2022: 1.5%) of total assets		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In approaching the audit, we considered how the Group is organised and managed. We assessed there to be two significant components, Adriatic Metals Plc (the Parent Company) and Adriatic Metals BH d.o.o, which is the holder of the mining licences pertaining to the Veovaca and Rupice assets in Bosnia & Herzegovina. The Parent Company was a subject to a full-scope audit by the Group audit team. A full-scope audit of Adriatic Metals BH d.o.o was performed by a BDO network firm in Bosnia & Herzegovina. Additionally, the Group audit team performed specific procedures on all significant risk areas.

The financial information of the remaining non-significant components was subject to analytical review procedures, performed by the Group audit team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

A planning meeting was held remotely with the component auditor and detailed Group reporting instructions for the testing of the significant areas were sent to them. The Group reporting instructions also included specific reference to required ISA (UK) procedures covering fraud and irregularities, and also detailed the materiality to which Group reporting procedures were to be performed. We visited the component auditor offices and held a face-to-face meeting with the audit partner discussing the results of procedures over key risk areas, any issues encountered as part of the audit, and any control or governance best practice findings arising as a result of the local fieldwork. We also reviewed the audit files remotely and discussed the findings with the component audit team and component management.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Making enquiries of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report.
- Performing qualitative risk assessments taking into consideration the sector in which the Group operates and how climate change affects this particular sector.
- Reviewing minutes of Board and Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how this impacts the Group's financial statements and our audit.
- Reviewing climate-related disclosures in the front-half of the annual report for consistency with other disclosures made in the financial statements.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

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 the scope of our audit addressed the key audit matter
Going concern Note 2c for details relating to this key audit matter.	The Group produced its first concentrate at the Vares processing plant in February 2024. There is a risk that delays to the ramp-up to commercial production, places stress on the Group's and Parent Company's liquidity position and therefore their ability to continue as going concerns. The Group also needs to comply with loan covenants linked to the Orion Senior Secured Loan and pay its first instalment on the loan in December 2024. There is a risk that the Group may not comply with future loan covenants linked to the Orion Loan. Due to significant judgements involved in estimating future cash flows and forecasting covenants compliance in the Directors' and Management's going concern assessment, we have identified going concern as a significant risk and a key area of focus for our audit.	**Our specific audit testing in regard to this included the following:** Reviewed Directors' and Management's assessment and conclusion for preparing the Group and Parent Company's financial statement on a going concern basis. Checked that Management's forecasts cover a period of at least twelve months from the expected approval of the financial statements. Checked the mathematical accuracy of the cash flow forecasts. Challenged the cash flow forecasts by assessing the reasonableness of key judgements such as corporate and capital expenditure, production ramp-up, and commodity prices. We assessed the reasonableness of judgments by evaluating Management's historical forecasting accuracy, performing commodity prices benchmarking, agreeing production to approved budgets, and checking for consistency between the inputs in the forecast and other information obtained during the audit. Examined committed expenditure on the Vares project and exploration costs on the Raska project that our contractual, and other spend under the Group's license arrangements and the general and administrative costs (G&A) within the forecast and ensuring that this is consistent with other information obtained during the audit. Challenged management's reverse stress testing scenario to determine the point at which liquidity breaks, taking into consideration the ability to secure future funding. Our challenge of management also incorporated other plausible scenarios not considered by management. Assessed committed and discretionary expenditure and minimum spending requirements as well as ensuring that these have been appropriately included in the cashflow projections. We also reviewed stress test scenarios including scenarios relating to delays in production ramp-up and capital and operating expenditure. Assessed compliance of covenants in the Orion debt facility and forecast adherence thereof. Reviewed and recalculated forecast covenants. Verified post-year-end cash position in the going concern model to bank statements. Reviewed the adequacy of disclosures in the financial statements in respect of going concern. **Key observations:** Our conclusions are set out in the conclusions related to going concern section of our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and accounting for the Orion Copper streaming arrangement See Note 4b, Note 5 and Note 6 for details relating to this key audit matter.	On 10 January 2022 definitive documentation was executed for a US$142.5 million Project Finance Debt Package with Orion. The terms of the Orion Debt Package have not changed since they were originally announced on the 12 October 2021 and comprise of: US$120.0 million senior secured debt (the "Senior Secured Debt"); and US$22.5 million copper stream (the "Copper Stream"). The Group drew down on the copper stream facility in Feb 2023. The Group's obligations under the Copper Stream agreement are accounted for as a financial liability at fair value through profit or loss. The streaming arrangement is a financial instrument for which the accounting and valuation can be complex, with key estimates and judgements such as applying the correct accounting policy, determining the appropriate discount rate, and forecasting production volumes and commodity prices. As a result, we have identified this as a significant risk and a key area of focus for our audit.	**Our specific audit testing in regard to this included the following:** With the assistance of our technical experts, we assessed Management's conclusion that the stream should be recognised as a financial liability and accounted for at fair value through profit or loss, and we also checked if this was in accordance with the requirement of the relevant accounting standard. Reviewed the terms of the copper stream loan agreement to understand the accounting implications. With the assistance of our internal valuation experts, we recalculated the discount rate, reperformed the fair value calculation of the stream and reviewed the suitability of Management's valuation methodology used to value the stream. Reviewed the updated Rupice economic model by checking the reasonableness of inputs such as the reserves estimate, production profile, and commodities prices based on other information obtained during the audit and our understanding of the Group of the mining industry. We also checked the integrity of the model and evaluated the competence and objectivity of the management expert who compiled the report. Compared the underlying production cash flows used in the valuation model to the cash flows used in the revised Vares economic model, which is based on the revised ore reserves for Rupice, and challenged management on the nature of differences identified. Reviewed the stream's accounting policy, fair value adjustments, and disclosures in the financial statements and checked that they are in accordance with the requirements of the applicable standard. **Key observations:** Based on the procedures performed, we found the judgement and estimates made by Management regarding the valuation and accounting for the Orion copper streaming arrangement to be reasonable.

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.

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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023 $m	2022 $m	2023 $m	2022 $m
Materiality	4,350,000	2,600,000	1,700,000	1,040,000
Basis for determining materiality	1.5% of total assets	1.5% of total assets	40% of Group materiality	
Rationale for the benchmark applied	The materiality has been based on total assets as the Group is in the exploration and development phase of its operations and is not revenue generating or profit making. We consider total assets to be one of the principal considerations for users of the financial statements.		Capped at 40% of Group materiality given the assessment of the component's aggregation risk.	
Performance materiality	3,000,000	1,820,000	1,190,000	728,000
Basis for determining performance materiality	70%		70%	
Rationale for the percentage applied for performance materiality	In reaching our conclusion on the level of performance materiality to be applied we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Group's internal controls and management's attitude towards proposed adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 40% and 71% (2022: 40% and 60%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $1,700,000 to $3,100,000 (2022: $1,040,000 to $1,560,000). In the audit of each component, we further applied performance materiality levels of 70% (2022: 70%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of $86,000 (2022: $52,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	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 statement of Directors' responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Discussing with management and the Audit & Risk committee to understand the laws and regulations relevant to the Group and its components. We considered the significant laws and regulations to be the elements of the financial reporting network, the Companies Act 2006, tax legislation, mining laws, LSE and ASX listing rules, the QCA corporate governance code and environmental regulations;Reviewing minutes of meetings of those charged with governance, RNS announcements and holding discussions with management and the audit and risk committees regarding their knowledge of any known or suspected instances of fraud;
- Discussing amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Communicating and subsequently reviewing specific procedures performed by the component auditors to address the risk of irregularities and fraud as well as potential non-compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Based on our risk assessment, we considered the area most susceptible to fraud to be the inappropriate capitalisation of expenses into property, plant and equipment, and management override of controls.

Our procedures in respect of the above included:

- Testing appropriateness of journal entries made throughout the period which met a specific risk-based criteria to supporting documentation;
- Testing samples of capitalised costs to supporting documentation and approval;
- Assessing management's judgement for bias in relation to capitalising non-procurement items such as depreciation, interest on borrowings and payroll costs.
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements, specifically around key audit matters as noted above; and
- Performing a detailed review of the Group's year end adjusting entries and investigating any that appear unusual as to nature or amount to supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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 by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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

27 March 2024

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

Consolidated statement of comprehensive income

For the year ended 31 December 2023

(In USD)	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Exploration costs	15	(2,090,498)	(1,361,548)
General and administrative expenses	16	(17,229,927)	(10,639,784)
Share-based payment expense	13F	(1,561,020)	(1,295,293)
Exploration and evaluation impairment	8	-	(23,186,959)
Other income	19	2,442	9,024
Operating loss		**(20,879,003)**	**(36,474,560)**
Finance income	17	948,775	334,497
Finance expense	17	(5,461,991)	(7,072,693)
Revaluation of external derivative liability	6	(3,540,640)	(4,081,401)
Revaluation of deferred consideration		-	151,339
Loss before taxation		**(28,932,859)**	**(47,142,818)**
Tax charge	14	-	-
Loss for the year attributable to owners of the parent		**(28,932,859)**	**(47,142,818)**
Other comprehensive gain that might be reclassified to profit or loss in subsequent years:			
Exchange gain arising on translation of foreign operations		50,372	187,119
Total comprehensive expense for the year attributable to owners of the parent		**(28,882,487)**	**(46,955,699)**
Net loss per share			
Basic and diluted (cents)	13G	(10.24)	(17.59)

The accompanying notes on pages 126 - 154 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

At 31 December 2023

(In USD)	Note	31 December 2023	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents		44,856,215	60,585,277
Receivables and prepayments	5	13,211,757	18,830,315
Inventory		1,552,781	-
Total current assets		**59,620,753**	**79,415,592**
Non-current assets			
Property, plant and equipment	7	212,730,670	77,860,563
Right-of-use assets	10	8,319,826	8,953,835
Exploration and evaluation assets	8	8,500,000	8,500,000
Receivables and prepayments	5	1,680,314	-
Total non-current assets		**231,230,810**	**95,314,398**
Total assets		**290,851,563**	**174,729,990**

The accompanying notes on pages 126 – 154 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 27 March 2024 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Mike Norris
Chief Financial Officer

(In USD)	Note	31 December 2023	31 December 2022
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	9	17,672,820	5,341,740
Lease liabilities	10	1,495,296	2,379,000
Borrowings	6	47,373,197	-
Derivative Liability	6	9,909,859	-
Total current liabilities		**76,451,172**	**7,720,740**
Lease liabilities	10	6,641,271	5,807,741
Provisions	22	3,673,787	4,431,212
Borrowings	6	93,427,367	42,498,052
Derivative liability	6	-	6,369,219
Total non-current liabilities		**103,742,425**	**59,106,224**
Total liabilities		**180,193,597**	**66,826,964**
Equity			
Share capital	13B	5,712,782	5,376,349
Share premium	13B	174,145,606	143,829,631
Merger reserve	13B	23,497,730	23,497,730
Warrants reserve	13D	2,743,303	2,743,303
Share-based payment reserve	13E	3,591,220	4,943,436
Foreign currency translation reserve	13H	1,310,705	1,260,333
Retained earnings		(100,343,380)	(73,747,756)
Total equity		**110,657,966**	**107,903,026**
Total liabilities and equity		**290,851,563**	**174,729,990**

Consolidated statement of changes in equity

For the year ended 31 December 2023

(In USD)	Note	Share Capital	Share Premium	Merger Reserve	Share Based Payment Reserve	Warrants Reserve	Foreign Currency Translation Reserve	Retained Deficit	Total Equity
31 December 2021		5,279,546	143,259,675	23,019,164	5,778,882	2,743,303	1,073,214	(28,735,675)	152,418,109
Loss for the year		-	-	-	-	-	-	(47,142,818)	(47,142,818)
Other comprehensive income	13H	–	–	–	–	-	187,119	-	187,119
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**187,119**	**(47,142,818)**	**(46,955,699)**
Share issue costs	13B	-	(86,199)	-		-	-	-	(86,199)
Exercise of options and performance rights	13B, 13E	91,224	656,155	-	(2,130,739)	-	-	2,130,737	747,377
Issue of options and performance rights	13E	-	-	-	873,155	-	-	-	873,155
2022 STIP awards	13E	-	-	-	576,000	-	-	-	576,000
Expiry/Cancellation of options and performance rights	13E	-	-	-	(153,862)	-	-	-	(153,862)
Acquisition of subsidiary	13B	5,579	-	478,566	-	-	-	-	484,145
31 December 2022		**5,376,349**	**143,829,631**	**23,497,730**	**4,943,436**	**2,743,303**	**1,260,333**	**(73,747,756)**	**107,903,026**
Loss for the year		-	-	-	-	-	-	(28,932,859)	(28,932,859)
Other comprehensive income	13H	-	-	-	-	-	50,372	-	50,372
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**50,372**	**(28,932,859)**	**(28,882,487)**
Issue of share capital	13B	251,055	31,427,918	-	-	-	-	-	31,678,973
Share issue costs	13B	-	(2,111,505)	-	-	-	-	-	(2,111,505)
Exercise of options and performance rights	13B, 13E	81,196	469,929	-	(2,337,235)	-	-	2,337,235	551,125
Issue of options and performance rights	13E	-	-	-	1,644,777	-	-	-	1,644,777
2022 STIP awards	13B,13E	4,182	529,633	-	(576,000)	-	-	-	(42,185)
Expiry/Cancellation of options and performance rights	13E	-	-	-	(83,758)	-	-	-	(83,758)
31 December 2023		**5,712,782**	**174,145,606**	**23,497,730**	**3,591,220**	**2,743,303**	**1,310,705**	**(100,343,380)**	**110,657,966**

The accompanying notes on pages 126 – 154 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2023

(In USD)	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Cash flows from operating activities:			
Loss for the year		(28,932,859)	(47,142,818)
Adjustments for:			
Depreciation of property, plant and equipment	7	475,950	232,206
Depreciation of right-of-use assets	10	390,192	1,059,717
Share-based payment expense	13F	1,561,020	1,295,293
Finance Income	17	(948,775)	(334,497)
Finance expense	17	5,461,991	7,072,693
Fair value movements in derivative liabilities	6	3,540,640	4,081,401
Revaluation of deferred consideration		-	(151,339)
Exploration and evaluation asset impairment	8	-	23,186,959
Changes in working capital items:			
Increase in receivables and prepayments		(4,815,690)	(171,789)
Increase in inventory		(1,552,781)	-
Increase/(decrease) in accounts payable and accrued liabilities		1,933,899	(360,894)
Net cash used in operating activities		**(22,886,414)**	**(11,233,068)**

(In USD)	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(94,408,470)	(42,231,895)
Prepaid property, plant and equipment		(6,585,108)	(16,432,347)
Interest received on cash holdings		1,508,143	-
Net cash used in investing activities		**(99,485,435)**	**(58,664,242)**
Cash flows from financing activities:			
Net proceeds from the issue of ordinary shares	13B, 13I	30,656,083	661,180
Proceeds from draw down of borrowings net of transaction costs	6	81,060,421	26,176,885
Settlement of deferred consideration		-	(525,785)
Interest paid on loans and borrowings	6	(1,895,000)	(1,700,000)
Interest received on cash holdings	5	-	277,383
Capital payments on leases	10	(1,719,291)	(1,890,191)
Interest paid on leases	10	(1,103,318)	(589,377)
Net cash generated from financing activities		**106,998,895**	**22,410,095**
Net decrease in cash and cash equivalents		(15,372,954)	(47,487,215)
Exchange losses on cash and cash equivalents		(356,108)	(4,433,976)
Cash and cash equivalents at beginning of the year		**60,585,277**	**112,506,468**
Cash and cash equivalents at end of the year		**44,856,215**	**60,585,277**

The accompanying notes on pages 126 – 154 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 subsidiaries detailed in note 3 (collectively, the "Group") for the year ended 31 December 2023. Adriatic Metals PLC (the Company or the parent) is a public company limited by shares and incorporated in England and Wales. 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 Vareš Project in Bosnia and Herzegovina and the Raška Project in Serbia.

Bosnia and Herzegovina and Serbia are well-positioned in central Europe and boast strong mining history, pro-mining environment, highly skilled workforce as well as extensive existing infrastructure and logistics.

2. BASIS OF PREPARATION

A. Statement of compliance

The consolidated financial statements have been prepared in accordance with the recognition, measurement and presentation requirements of UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 (the "Companies Act").

The consolidated financial statements were authorised for issue by the Board of Directors on 27 March 2024.

B. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments), at fair value through profit or loss. A summary of the Group's accounting policies is set out below in note 3.

The consolidated financial statements are presented in United States Dollars ("USD" or "$") which reflects the fact that the USD is a more widely recognised currency for the mining sector in which the Group operates and that its Project Finance Debt Package, offtake agreements and mining services contract are denominated in USD.

Unless otherwise stated, all amounts indicated by "$" represent USD.

C. Going concern

The Vareš Feasibility Study was completed in August 2021 and an equity raise was successfully closed on 29 October 2021. Definitive documentation executed for the $142.5m Debt Finance Package with Orion was announced on 10 January 2022 to provide sufficient funds to complete the Vareš Project construction and cover ongoing owner costs until production commenced. Of this total, $112.5m was drawn down prior to 31 December 2023, including the $22.5m Copper Stream deposit, and $30m was drawn down in January 2024. In August 2023 the Company raised $30m equity, net of costs. In March 2024, the QRC convertible debt was converted into shares.

As announced on 30 January 2024 in the Company's Quarterly Activity Report for the quarter ended 31 December 2023, the Project cost estimate was $188.9m, and on 28 February the Company announced that it had produced its first concentrate, with production targeted ramp up to its nameplate processing capacity of approximately 65,000t per month by Q4 2024.

Sensitivity analysis of production ramp up and potential revenue delays indicates that the Group and Company have 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. For a mining company at the start of its operating phase, uncertainty exists about operating results and cash flows. In a challenging operational scenario, the Company would have the option of reducing and/or deferring discretionary expenditure including overheads, sustaining capex and general and administrative costs, as well as raising equity capital in the event of a more severe impact on production and revenues.

A Debt-Service Coverage Ratio ("DSCR") covenant is included in the Orion Debt Finance Package, with the first DSCR testing period expected to be mid-2025, following the agreement in January 2024 to defer the first repayment under the Debt Finance Package from June 2024 to December 2024. The DSCR is required to be above 1.25x and the Company's forecasts show substantial headroom above this.

The Directors therefore believe there is not a material uncertainty regarding going concern and that it is appropriate to prepare the financial statements on a going concern basis.

3. ACCOUNTING POLICIES

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 principal accounting policies applied by management. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in note 4.

A. Basis of consolidation

The consolidated Group Financial Statements consist of the financial statements of the ultimate Parent Company (Adriatic Metals plc, a company registered in the UK), and all its subsidiary undertakings made up to the same accounting date. Subsidiary undertakings are those entities controlled by Adriatic Metals plc. Control exists where the Group is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

Subsidiaries are consolidated in the Group's financial statements from the date on which control is obtained. Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with accounting policies adopted by the Group.

The consolidated financial statements comprise the financial statements of the Company and its following subsidiaries at 31 December 2023:

Name of subsidiary	Country of incorporation	Registered Address	Shareholding at 31 Dec. 2023	Shareholding at 31 Dec. 2022	Nature of business
Adriatic Metals BH d.o.o. (Formerly Eastern Mining d.o.o.)	Bosnia and Herzegovina	Tisovci bb, Vareš, 71 330, Bosnia and Herzegovina	100%	100%	Mineral exploration and development
Adriatik Metali d.o.o.	Bosnia and Herzegovina	Bulevar Meše Selimovića 81A, Sarajevo, 71 000, Bosnia and Herzegovina	100%	100%	Mineral exploration and development
Adriatic Metals Jersey Ltd (formerly Tethyan Resource Corp)	Jersey (formerly Canada)	35-37 New Street, St. Helier, Jersey, Channel Islands, JE2 3RA	100%	100%	Holding company - financing mining exploration of subsidiary
Adriatic Metals Services (UK) Limited (formerly Tethyan Resources Limited)	England and Wales	Regent House, 65 Rodney Road, Cheltenham, GL50 1HX, UK	100%	100%	Holding company and management services company - financing mining exploration of subsidiary and providing services to other group companies.
Adriatic Metals Trading and Finance Ltd	Jersey	35-37 New Street, St. Helier, Jersey, Channel Islands, JE2 3RA	100%	100%	Trading and finance company
Adriatic Metals Trading & Finance B.V.	The Netherlands	liquidated	n/a	100%	Trading and finance company (liquidated during year ended 31 December 2023)
Adriatic Metals Holdings BIH Limited	England and Wales	Regent House, 65 Rodney Road, Cheltenham, GL50 1HX, UK	100%	100%	Holding company - financing mining exploration of subsidiary
Tethyan Resources Jersey Ltd	Jersey	35-37 New Street, St. Helier, Jersey, Channel Islands, JE2 3RA	100%	100%	Holding company - financing mining exploration of subsidiary
Taor d.o.o.	Serbia	Kneza Milosa 93(street) /4 floor, Belgrade, Serbia	100%	100%	Mineral exploration and development
Tethyan Resources d.o.o.	Serbia	Kneza Milosa 93(street) /4 floor, Belgrade, Serbia	100%	100%	Mineral exploration and development
Global Mineral Resources d.o.o.	Serbia	Kneza Milosa 93(street) /4 floor, Belgrade, Serbia	100%	100%	Mineral exploration and development
Adriatic Metals d.o.o. (formerly RAS Metals d.o.o.)	Serbia	Kneza Milosa 93(street) /4 floor, Belgrade, Serbia	100%	100%	Mineral exploration and development

B. Standards, amendments and interpretations adopted

The following amended standards and interpretations were adopted by the Group during the year ending 31 December 2023:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS 2 Practice Statement
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

These amended standards and interpretations have not had a significant impact on the consolidated Financial Statements.

C. Standards, amendments and interpretations effective in future years

At the date of authorisation of these consolidated financial statements, the following amendments to existing standards had been published and had not been adopted early by the Group:

The following amendments are effective for the year beginning 1 January 2024:

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1
- Disclosures: Supplier Finance Arrangements – Amendments to IAS7 and IFRS 7

The following amendments are effective for the year beginning 1 January 2025:

- Lack of exchangeability – Amendments to IAS 21

The Group anticipates that the above amendments will be adopted in its accounting policies for the first period beginning after their effective date and does not expect them to have a material impact on the consolidated financial statements.

D. Foreign currency transactions and translations

The Group determines the functional currency of each entity as set out in note 4Ba and items included in the consolidated financial statements are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded using the spot exchange rates between the functional currency and the foreign currency, at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rates at the reporting date.

Foreign exchange 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 USD at the rate of exchange prevailing at the reporting date and their income statements are translated at average exchange rates prevailing during the year. 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. 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 year 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:

- licence costs paid in connection with a right to explore;
- 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; and
- conducting market studies.

Exploration and evaluation 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 in the year for activity on licences where a JORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred to establish a JORC-compliant resource. Costs expensed during this phase are included in exploration expenses and 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 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 a JORC-compliant reserve is established and development is sanctioned, exploration and evaluation assets are tested for impairment and transferred to mine under construction and amortised in line with the useful economic life of the mine or on a unit of depletion basis. Exploration and evaluation assets are not amortised during the exploration and evaluation phase and are considered to have an indefinite life until determined to be part of a mine plan.

H. Property, plant and equipment

i) Land

Land is held at cost less accumulated impairment losses. Once a JORC-compliant reserve is established and development is sanctioned, land is tested for impairment and transferred to mine under construction and depreciated in line with the useful economic life of the mine or on a unit of depletion basis. Land is not depreciated during the exploration and evaluation phase and is considered to have an indefinite life until determined to be 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. Short-lived property, plant and equipment depreciation is provided at rates calculated to expense the cost, less estimated residual value, using the straight-line method over the estimated useful life of the asset at the following rates:

Buildings and Leasehold improvements	Shorter of 10% or lease term
Plant and equipment	15% - 33%

iii) Mine under construction

Mine under construction includes construction costs as well as exploration and evaluation and land balances transferred as noted above once a JORC-compliant reserve is established and development is sanctioned. Expenditure which is necessarily incurred whilst commissioning the mine is also capitalised as a mine under construction cost. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

Mine under construction costs are amortised in line with the useful economic life of the mine or rate of depletion of resources once the mine enters into production. The method of amortisation is determined taking into account all relevant factors at the point at which the mine enters into production.

Expenditure which is necessarily incurred whilst commissioning the mine under construction, in the period prior to being capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit.

iv) Depreciation and amortisation

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

I. Leases

The Group has various lease arrangements for buildings. Lease terms are negotiated on an individual basis locally and subject to domestic rules and regulations. At the inception of the lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period in exchange for consideration, in which case it is identified as a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Low value leases are those with an underlying asset value of USD 5,000 or less. For those leases, the Group recognized the lease payments as an operating expense on a straight-line basis over the term of the lease.

i) Right-of-use assets

At the commencement date of the lease right-of-use assets are measured at cost which comprises the following:

- The initial measurement of the lease liability;
- Prepayments before commencement date of the lease
- Initial direct costs; and
- Costs to restore.

Subsequent to initial recognition, right-of-use assets depreciated on a straight-line basis over the duration of the contract.The right-of-use assets are assessed for impairment where indicators of impairment are present.

ii) Lease liabilities

At the commencement date of the lease, lease liabilities are 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.

iii) 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 amount 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 amount 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, an amount equal to 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 as the discount is unwound, 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. The increase in the provision due to the passage of time is recognised as interest expense.

K. Finance income and finance expense

Finance income and Finance expense are 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

A financial asset is 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 classifications are met the asset is classified as fair value through the profit and loss, with changes in fair value recognised in the profit and loss statement. Even if an asset meets the above two requirements to be measured at fair value through other comprehensive income, IFRS 9 contains an option to designate, at initial recognition, a financial asset as measured at fair value through the profit and loss provided the classification eliminates or significantly reduces a measurement or recognition inconsistency.

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.

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. Where the movement in fair value is due to a change in the entity's credit risk, such gain or loss is recognised in other comprehensive income.

iii) Convertible debt

The proceeds received on issue of the Group's convertible debt are allocated to their debt and derivative liability components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option and is recognised as a derivative liability.

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

The carrying amounts of capitalised exploration and evaluation expenditure for undeveloped mining projects (projects for which the decision to mine has been not yet been deemed commercially viable and development has not yet been authorised) are reviewed at each reporting date for indicators of impairment in accordance with IFRS 6, and when indicators are identified are tested in accordance with IAS 36 Impairment of Assets.

Property, plant and equipment and intangible assets with finite lives are reviewed for impairment if there is an indication that the carrying amount may not be recoverable.

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. 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.

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, or 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 not recognised any deferred tax assets or liabilities.

O. Earnings or Loss per share ("EPS")

Basic EPS is calculated by dividing the earnings attributable to the owners of the parent by the weighted average number of common shares in issue during the year.

Diluted EPS is calculated by dividing the attributable to the owners of the parent by the weighted average number of common shares in issue during the year plus the weighted average number of common shares that would be issued on the conversion of all the potentially dilutive common shares, which comprise share options and warrants granted, except where these are anti-dilutive. .

P. Share capital, share premium and merger reserve

Ordinary shares are classified as share capital. Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Incremental costs directly attributable to the issuance of new shares are shown in share premium as a deduction, net of tax, from the proceeds.

Merger reserve represents the difference between the value of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries. Merger reserve only arises where the issuing company takes its interest in another body corporate from below a 90% equity holding to a 90% or above equity holding.

Q. Share-based payments and warrants payments

i) Share-based payment transactions

The Company grants share options and performance rights to Directors, officers, consultants and employees ("equity-settled transactions"). The Company may grant warrants to institutions in relation to an equity raise or other transaction. 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 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. Non-market 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. Market performance vesting conditions are incorporated into the fair value of the equity instrument at the grant date.

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 equity-settled transactions with non-employees are measured at the fair value of the goods or services received.

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

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 this 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 options and performance rights which will vest. See note 14f for further details regarding these inputs.

iii) STIP equity scheme

The Group operates an STIP scheme which runs on a calendar year basis, with employees receiving either cash or shares subsequent to year end based on to their performance during the year. An option pricing model is used to measure the Group's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered their service. Movements in the liability (other than cash payments) are recognised in the consolidated statement of comprehensive income.

R. Other reserve accounts

Foreign currency translation reserve include gains or losses arising on retranslating the net assets of entities from their functional currencies into the Group presentation currency.

Retained earnings include all other net gains and losses and transactions with owners, including dividends, not recognised elsewhere.

S. Segmental reporting

The reportable segments represent 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.

The Group's operating segments are as follows:

- Bosnia and Herzegovina (principally the Vareš Project);
- Serbia (principally the Raška Project); and
- Corporate (which supports the activities of the other two segments, principally the UK).

The Vareš and Raška Projects operate in two separate distinct jurisdictions and are at different points in their respective project life cycles.

Segment assets are those used directly for segment operations. 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.

T. Adriatic Foundation

The Adriatic Foundation (the "Foundation") is a not-for-profit trust which was created in Bosnia and Herzegovina with the objective of supporting the communities around the Vareš Project. The Company provided the initial funding required for the formation of the Foundation.

The Company has the ability to appoint the Board of Trustees of the Foundation and hence transactions between the Company and the Foundation have been classified as related party on the basis of the company yielding significant influence.

An assessment has been performed to determine whether the Company controls the Adriatic Foundation in accordance with IFRS 10. The conclusion of this assessment is that whilst the company is able to yield significant administrative influence over the Foundation, it is not able to affect returns to the Company. The Foundation statute prevents the Company as the founder, and any other person associated with the Foundation, from directly or indirectly deriving profit, or any other material or financial benefit, from the activities of the Foundation. For the purposes of IFRS 10, the Directors have therefore concluded that the Company does not control the Foundation and as a result the Foundation is not included in the consolidated financial statements of the Group.

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. The significant judgements, estimates, and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are highlighted below.

A. Estimates

a) Exploration and evaluation asset impairment testing

The Group reviews and tests the carrying amount of assets when its judges that an indicator of impairment has occurred, including events or changes in circumstances that suggest that the carrying amount may not be recoverable.

When such indicators exist, management determines 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 include discount rates, including the Group's weighted average cost of capital, future prices, future exploration and evaluation costs, production levels and foreign currency exchange rates.

Exploration and evaluation assets at 31 December 2023 comprised the Raska Project of $8,500,000, at a value based on the revised carrying value following the Company carried out a strategic review of the Raska Project in late 2022. See note 8 for details of the estimates made in establishing the revised carrying value. No further indicators of impairment or reversal of previous impairment have been identified in the year to 31 December 2023.

b) Copper Stream

The Group entered into an agreement with Orion Partners under which it received a prepayment of $22.5m on 13 February 2023 in respect of future deliveries of copper warrants under the Copper Stream. Consideration as to the substance of the agreement and the value of the Copper Stream has been made in line with the requirements of IFRS. Regarding the accounting treatment reference has been made to IFRS9 and IFRS15 as the nature and substance of the agreement with the conclusion that IFRS9 is the most appropriate treatment of financial liability because the liability can be settled by cash or delivery of another financial instrument.

The fair value of the Copper Stream obligation was valued by management on a nominal basis. The significant assumptions included the nominal future copper curve prices, the latest Mine plan and nominal weighted average cost of capital which was calculated by the company's nominated experts.

B. 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 in which each entity operates.

The Group first considers the currency that mainly influences sales prices for its concentrates, goods and services, and the currency that mainly influences labour, materials 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. This assessment is driven by the primary economic environment of each entity including products, labour, materials and professional services and the currency in which they are primarily transacted.

Name of entity	Country of incorporation	Functional currency at 31 December 2023	Functional currency at 31 December 2022
Adriatic Metals plc	England and Wales	USD	USD
Adriatic Metals BH d.o.o.	Bosnia and Herzegovina	USD	USD
Adriatik Metali d.o.o	Bosnia and Herzegovina	BAM	BAM
Adriatic Metals Jersey Ltd	Jersey (originally Canada)	USD	USD
Adriatic Metals Services (UK) Limited	England and Wales	USD	USD
Adriatic Metals Trading and Finance Ltd	Jersey	USD	USD
Adriatic Metals Holdings BIH Limited	England and Wales	USD	USD
Tethyan Resources Jersey Ltd	Jersey	GBP	GBP
Adriatic Metals d.o.o.	Serbia	RSD	RSD
Taor d.o.o.	Serbia	RSD	RSD
Tethyan Resources d.o.o.	Serbia	RSD	RSD
Global Mineral Resources d.o.o.	Serbia	RSD	RSD

b) Capitalisation of exploration costs

The Group uses its judgement to determine whether costs meet the capitalisation requirements in accordance with IFRS 6 and its accounting policy on exploration and evaluation assets, including whether the activities performed are directly attributable to increasing the value of the project.

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 licence as exploration and evaluation assets. There is an element of judgement involved by management as to which costs are directly attributable to increasing the value of the project. Broadly, activities in relation to scoping, exploration and development are deemed directly attributable, whilst activities in relation to supporting and administrative duties are deemed not to be directly attributable.

c) Indicators of impairment

The Group uses its judgement in assessing whether indicators of impairment have occurred.

The Group reviews and tests the carrying amount of exploration and evaluation assets when events or changes in circumstances suggest that the carrying amount may not be recoverable in accordance with IFRS 6. Indicators of impairment are as follows:

i) the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;

ii) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned;

iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

iv) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Group also reviews property, plant and equipment and intangible assets with finite lives for impairment if there is an indication that the carrying amount may not be recoverable.

In assessing whether an indicator of impairment has occurred, the Group considers external sources of information including observable indications of decline in market value, actual or expected negative changes in the technological, market, economic or legal environment, changes in market interest rates or other market rates of return on investments, and whether the carrying amount of its net assets is greater than its market capitalisation. As external sources of information will typically be broader and less clearly linked to a specific asset or cash generating unit, for example, a decline in market capitalisation below the carrying value of the entity's net assets. This may then require the use of judgement to determine which assets or cash generating unit should be tested in response to an external source of information.

The Group also considers internal sources of information including changes in planned development of the assets, evidence of obsolescence or damage, changes in the expected use or life of an asset, and evidence from internal reporting that an asset's economic performance is, or will be, worse than expected.

No changes in circumstances or other indicators of impairment occurred during the year in respect of the Raska Project exploration and evaluation asset.

No changes in circumstances or other indicators of impairment occurred during the year in respect of the Vareš Project mine under construction.

d) 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, an amount equal to the liability is added to the carrying amount of the related asset and this amount 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 by unwinding the discount, and adjusted for changes to the current market-based discount rate and to the amount or timing of the underlying cash flows needed to settle the obligation.

Management uses its judgement and experience to determine the potential scope of closure rehabilitation work required to meet the Group's legal, statutory and constructive obligations, and any other commitments made to stakeholders, and the options and techniques available to meet those obligations and estimate the associated costs and the likely timing of those costs.

Significant judgement is also required to determine both the costs associated with that work and the other assumptions used to calculate the provision. External experts support the cost estimation process where appropriate but there remains significant estimation uncertainty. The key judgement in applying this accounting policy is determining when an estimate is sufficiently reliable to make or adjust a closure provision.

Management has previously engaged with experts Ausenco and Wardell Armstrong as part of the feasibility study to determine total costs of closure, restoration and environmental costs over the life of the mine. Management applied judgement to determine the impact of activity on the Vareš Project in the year ended 31 December 2023, which is a key factor in calculating the provision, and the Group recorded a provision based on the discounted value of the expected cashflows. See note 22 for further details.

e) Entities not consolidated

The Adriatic Foundation has not been consolidated, for reasons set out in note 3T.

Deep Research d.o.o. (DR) is determined to be outside of the control of the Group because although Adriatic Metals Jersey Ltd (the option agreement holder) has the ability to control DR via exercise of the option it does not have the intent to do so at present until further exploration work has been completed to determine the economic value of DR to the Group relative to the consideration that would be payable on exercise of the option.

5. RECEIVABLES AND PREPAYMENTS

Current (USD)	31 December 2023	31 December 2022
Accrued interest income	59,321	57,114
Vareš Project prepayments and deposits	6,585,108	17,119,197
Unamortised deferral of day one fair value adjustment for Copper Stream	98,843	-
Taxes receivable	6,363,960	1,618,066
Other receivables	104,524	35,938
Non-Current		
Unamortised deferral of day one fair value adjustment for Copper Stream	1,680,315	-
Total	**14,892,071**	**18,830,315**

Accrued interest income relates to interest earned on cash holdings. Of the total interest income recognised during the year of $1,567,464 (prior year: $334,497), $1,508,143 was received in cash during the year (prior year: $277,383) with the remaining $59,321 (prior year: $57,114) recognised as accrued interest income. $827,515 (prior year: $nil) has been capitalised within additions to the mine under construction asset.

Vareš Project prepayments and deposits represent advance payments in respect of equipment purchases, as well as mobilisation costs paid in respect of the mining services contractor equipment that had not reached site prior to the period end dates.

Copper Stream deposit was subject to a day 1 fair value adjustment of $1,871,124 with a corresponding day one deferral in other debtors, which will be amortised over the life of the stream. Amortisation at 31 December 2003 amounts to $91,966 (note 17), resulting in an unamortised balance of $1,779,158 at 31 December 2023 of which $98,843 is current.

The segmental analysis of receivables and prepayments is as follows:

31 December 2023	Bosnia	Serbia	Corporate	Total
Accrued interest income	-	-	59,321	59,321
Prepayments and deposits	6,299,029	70,900	215,179	6,585,108
Unamortised deferral of day one fair value adjustment for Copper Stream	1,779,158	-	-	1,779,158
Taxes receivable	6,215,399	53,988	94,573	6,363,960
Other receivables	100,381	4,143	-	104,524
Total	**14,393,967**	**129,031**	**369,073**	**14,892,071**

31 December 2022	Bosnia	Serbia	Corporate	Total
Accrued interest income	-	-	57,114	57,114
Prepayments and deposits	16,802,323	114,756	202,118	17,119,197
Taxes receivable	1,468,539	75,343	74,184	1,618,066
Other receivables	608	3,105	32,225	35,938
Total	**18,271,470**	**193,204**	**365,641**	**18,830,315**

6. BORROWINGS AND DERIVATIVE LIABILITY

A. Total borrowings and derivative liability

(In USD)	Orion Senior Secured Debt	Copper Stream	QRC Convertible Debt	Total Borrowings	Derivative Liability on QRC Convertible Debt
At 31 December 2020	**-**	**-**	**(15,980,753)**	**(15,980,753)**	**(4,160,918)**
Interest expense	-	-	(1,699,740)	(1,699,740)	-
Foreign Exchange gain	-	-	(232,240)	(232,240)	(104,823)
Payment of Interest	-	-	1,841,667	1,841,667	-
Revaluation of fair value embedded option	-	-	-	-	1,763,318
At 31 December 2021	**-**	**-**	**(16,071,066)**	**(16,071,066)**	**(2,502,423)**
Additions	(26,176,885)	-	-	(26,176,885)	-
Interest expense	(35,484)	-	(1,700,012)	(1,735,496)	-
Foreign Exchange gain	-	-	-	-	214,605
Payment of Interest	-	-	1,700,000	1,700,000	-
Revaluation on modification	-	-	(214,605)	(214,605)	-
Revaluation of fair value embedded option	-	-	-	-	(4,081,401)
At 31 December 2022	**(26,212,369)**	**-**	**(16,285,683)**	**(42,498,052)**	**(6,369,219)**
Additions	(58,560,421)	(22,500,000)	-	(81,060,421)	-
Interest expense	(12,999,260)	-	(1,718,284)	(14,717,544)	-
Foreign Exchange gain	-	-	-	-	-
Payment of Interest	-	-	1,895,000	1,895,000	-
Day one fair value adjustment	-	(1,871,124)	-	(1,871,124)	-
Fair value adjustment		(2,548,423)	-	(2,548,423)	-
Revaluation of fair value embedded option	-	-	-	-	(3,540,640)
At 31 December 2023	**(97,772,050)**	**(26,919,547)**	**(16,108,967)**	**(140,800,564)**	**(9,909,859)**

Year end balances are analysed below:

(In USD)	Orion Senior Secured Debt	Copper Stream	QRC Convertible Debt	Total Borrowings	Derivative Liability on QRC Convertible Debt
At 31 December 2022					
Current liability	-	-	-	-	-
Non-current liability	(26,212,369)	-	(16,285,683)	(42,498,052)	(6,369,219)
	(26,212,369)	**-**	**(16,285,683)**	**(42,498,052)**	**(6,369,219)**

(In USD)	Orion Senior Secured Debt	Copper Stream	QRC Convertible Debt	Total Borrowings	Derivative Liability on QRC Convertible Debt
At 31 December 2023					
Current liability	(30,177,441)	(1,086,789)	(16,108,967)	(47,373,197)	(9,909,859)
Non-current liability	(67,594,609)	(25,832,758)	-	(93,427,367)	-
	(97,772,050)	**(26,919,547)**	**(16,108,967)**	**(140,800,564)**	**(9,909,859)**

B. Orion Senior Secured Debt

On 10 January 2022, the Group announced the completion of a $142.5m debt financing package ("Orion Debt Finance Package"), with Orion Resource Partners (UK) LLP ("Orion") comprising:

- $120m Senior Secured Debt; and
- $22.5m Copper Stream

Under the terms of this agreement, the Senior Secured Debt maturity date is 30 June 2027. Interest accrues daily at an annual rate equal to a margin of 7.5% plus the greater of (i) a floor of 0.26161% plus the CME Term SOFR for a period equal to three months and (ii) the floor of 0.26161%. Interest is payable on each interest repayment date, on the final maturity date, and on any earlier date on which a loan is prepaid in full or in part.

The First Repayment Date is the earlier of the Project Completion Longstop Date of 30 June 2024 and the last business day of the quarter following the quarter in which the Project Completion Date falls. The repayment schedule provides for the repayment of the loan in 10 equal quarterly installments in each of the 10 successive quarters, with the first such quarterly repayment occurring on the First Repayment Date and the repayment in each successive quarter occurring on the last Business Day of the relevant quarter.

The Orion Debt Finance Package contains covenants and restrictive covenants typical for a project financing, including in relation to financial reporting. It also contains security customary for a project financing, principally security over the assets of Adriatic Metals BH and material project-related contracts held by the Adriatic Group. A DSCR covenant of above 1.25x is included in the Orion Debt Finance Package.

Post year end, on 22 January 2024, the Group amended the terms of the original Senior Secured Debt agreement as below:

- The Project Completion Longstop Date of 30 June 2024 is extended to 31 December 2024 and becomes the First Repayment Date;
- A fee applicable to the amendment ("the Front End Fee") of $750,000 becomes payable immediately following the utilisation date for the fourth draw down and added to the principal amount of the loans then outstanding;
- The Company is required to ensure that prior to 31 July 2024, the QRC Convertible Debt is finally, fully and irrevocably discharged or converted into equity without incurring financial indebtedness in relation to the same.

Secured Overnight Financing Rate ("SOFR") is a secured interbank overnight interest rate used as a reference rate by parties in commercial contracts, as an alternative to LIBOR which was discontinued in 2021. The CME SOFR is administered by the CME Group.

During 2023 the applicable CME Term SOFR has fluctuated between 4.56% and 5.39%, meaning that the total interest rate applicable has fluctuated between 12.32% and 12.89% during the year to 31 December 2023. The first DSCR testing period is expected to be late-2024, and six monthly thereafter. The Company's forecasts show substantial headroom above the requirement of 1.25x.

During 2023, the Orion Senior Secured Debt second and third tranches totaling $60,000,000 were drawn net of associated $1,439,579 legal and other fees incurred by Orion as lender, with a net amount of $58,560,421 received. As at 31 December 2023, these Orion fees have been recognised as a deduction from the value of borrowings in accordance with IFRS 9, on the basis that they represent transaction costs directly attributable to the acquisition of the borrowings.

As a result of the total IFRS 9 deduction of $5,262,694, which will be amortised over the life of the facility using the effective interest rate method, the Orion Senior Secured Debt balance is reduced from $90,000,000 drawn down to $84,737,306. This impact will be reversed over the life of the facility as the deduction is unwound through amortisation of the deduction.

The Group is entitled to deduct the amount of any payment it makes to the Adriatic Foundation on behalf of the Lenders from any interest accrued in the last quarter of each year.

C. Copper Stream

On 13 February 2023 the Company announced that all conditions precedent for the $22.5m Copper Stream had been satisfied and that the Copper Stream deposit funds had been received as a prepayment for the Copper Stream.

In accordance with the Copper Stream agreement signed on 8 January 2022, the Group will deliver to Orion copper warrants purchased on the London Metal Exchange with a value equal to 24.5% of the payable copper in concentrates sold at the official LME copper cash price. Orion will pay 30% of the value of copper warrants with the remaining 70% being credited to the prepayment. The agreement will be effective for an initial term of 40 years from the signing date and thereafter will automatically be extended for any successive 20 year additional periods unless there have been no active mining operations during the last 20 years of the initial term or throughout such additional periods, in which case the agreement will terminate at the end of the initial term or such additional period, as applicable. The agreement may also be terminated by the parties on mutual written consent or in the event of default.

The Group's obligations under the Copper Stream agreement are accounted for as a financial liability at fair value through profit or loss and comprise the following at 31 December 2023:

(In USD)	31 December 2023
Deposit funds received during the Year	22,500,000
Day one fair value adjustment in respect of future delivery of copper warrants	1,871,124
Fair value at initial recognition	**24,371,124**
Fair value adjustment at 31 December 2023	2,548,423
Balance at 31 December 2023	**26,919,547**

As the fair value of copper warrants depends on copper price volatilities and a risk-adjusted discount rate which are unobservable inputs, the financial liability above is classified within Level 3 of the fair value hierarchy.

A day one fair value adjustment has been made to recognise the initial fair value at the date on which the Copper Stream deposit was received during the Period. This adjustment has been deferred at 13th February 2023 to reflect the fact that it will be amortised over the Vareš Mine production period which had not yet started at that date.

The valuation of the Copper Stream financial liability was prepared by management on a nominal basis. The assumptions used were the life of mine, copper production, the nominal copper forward price curve and the nominal discount rate based on the Company's weighted average cost of capital.

The following table contains sensitivities showing the impact of a 10%, 20% and 25% discount factor compared with the companies weighted average cost of capital (WACC). The company used 20.5% for the calculation of the day one fair value adjustment and 18.9% for the fair value adjustment at 31 December 2023.

Discount Rate	15.00%	20.00%	25.00%
Day one fair value adjustment	29,738,197	24,768,916	21,015,051
At 31 December 2023	**32,311,242**	**25,715,201**	**21,068,867**

D. QRC convertible debt

The Company issued $20m 8.5% convertible debt through a deed of covenant dated 30 November 2020. The debt was convertible into fully paid equity securities in the share capital of the issuer, subject to the conditions of the debt issue. The debt was converted into shares in March 2024.

Modification

In December 2022, concurrently with the first draw down of the Orion Senior Secured Debt, Adriatic and QRC executed an amendment to the 30 November 2020 deed of covenant, providing that the cash coupon had been increased from 8.5% to 9.5% per annum effective from 10 January 2023. The amendment also confirmed that Adriatic was not required to redeem the debt following completion of the Orion project financing. This was a change from the original terms of the convertible debt which provided that where the Company secured a project financing before the final maturity date of the debt, the bondholder could require the issuer to redeem the debt at its principal amount together with the accrued but unpaid interest to such date. All other terms of the original deed remained unchanged.

Management considered the quantitative and qualitative nature of the amendment and concluded the changes constituted a non-substantial modification under IFRS 9 accounting standards.

The carrying amount of the liability was adjusted to the present value of the modified cashflows and a loss was recognised in the profit or loss in the year ended 31 December 2022. Subsequent interest expense was calculated based on the updated internal rate of return.

Key terms and conditions of the debt agreement dated 30 November 2020 between the Company and QRC are provided below.

Voluntary conversion

The debt shall be convertible into equity securities of the Company at the option of the bondholder at any time from the issue date 1 December 2020 until 30 November 2024. The number of equity securities to be issued will be determined by the conversion price in effect on the relevant conversion date. The initial conversion price is AUD 2.7976 per ordinary share.

Redemption and Purchase

a) Final redemption: Where the debt is not converted, redeemed, purchased, or cancelled by the Company prior to the final maturity date, the debt shall be redeemed by the Company at its principal amount;

b) Redemption at the option of the issuer: Option to the issuer to redeem all the debt outstanding, prior to the final maturity date, at its principal amount together with accrued but unpaid interest to such date if:

- At any time prior to maturity date, the volume weighted average price of the equity securities for 20 consecutive days has exceeded 125% of the conversion price; or
- The issuer delivers an optional redemption notice that contains an optional redemption date which falls on or after the third anniversary of the issue date;

c) Redemption at the option of bondholder if a change of control event occurs: the bondholder receives an option to require the issuer to redeem the debt prior to the final maturity date. In the event of a change of control, the debt shall be redeemed at:
- 130% of the principal amount, if the change of control event occurs on or prior to the second anniversary of the issuance date, together with accrued and unpaid interest till such date. This redemption ratio is no longer applicable as no change of control event occurred on or prior to the second anniversary of the issuance date; or
- 115% of the principal amount, if the change of control event occurs after the second anniversary of issuance date, together with accrued and unpaid interest till such date

d) Redemption at the option of the debt holder in the event of project financing: In any event where the Company secures a project financing before the final maturity date of the debt, the debt holder can require the issuer to redeem the debt at its principal amount together with the accrued but unpaid interest to such date. The amendment in December 2022 removed this option.

E. Derivative liability on QRC convertible debt

QRC's option to convert the debt into equity and the associated potential issue of shares gave rise to a variable amount of cash receivable by the Company and therefore the debt fails to meet the requirements to be classified as equity. The conversion feature of the debt has therefore been accounted for as a derivative liability, with the value of the conversion feature dependent on factors as set out below.

Management engaged external experts to review the terms of the agreement and perform a valuation. It was concluded that the call option in the hands of the bondholder satisfied the conditions stipulated by IFRS 9 Financial Instrument – Recognition and Measurement for the recognition of a derivative liability in the Group and Company accounts and required a separate fair valuation.

The redemption options in the hands of the bondholder were concluded to fall outside the exemptions of IFRS 9 and to be closely related to the debt host contract. Therefore, the redemption options need not be separated from the debt host contract and hence need not be valued separately. The Group has accounted for both the embedded option and liability at fair value through profit and loss and at amortised cost respectively.

Valuation Model

The Black Scholes model was chosen as the most appropriate pricing model to value QRC's option to convert the debt into equity and the valuation was updated at 31 December 2023 and 31 December 2022. The main assumptions and inputs used in the options pricing model were as follows:

- Dividend yield – assumed to be nil because the Company has not declared or paid any dividends in prior years on ordinary shares.
- Strike price – The initial conversion price of AUD 2.7976 per ordinary share.
- Expected term – Judgement applied to assign probability to the various redemption and put options in the contract. Expected term of redemption calculated as 0.92 years from the valuation date.
- Expected volatility – Weekly volatility over the 0.92 years (48 weeks) was calculated as 37.10% prevailing on ASX as of the valuation date.
- Risk-free rate – Risk free yield obtained from Australian Treasury bond issues converted into continuous compound yields.
- Value of underlying common stock price – The closing price of ordinary shares AUD 4.01 on the valuation date on the ASX.

Using the assumptions set out above, the Black Scholes value of the call option in the hands of the debt holder is $9,909,859.

Sensitivity Analysis

Inputs to the Black Scholes model are based on management estimates regarding probabilities of future events. The results are sensitive to changes in key assumptions, namely the expected term of the debt and the volatility of the Company's share price.

Sensitivity of the debt value to reasonably possible changes in the assumptions of expected term and volatility of the Company's share price are as follows:

		Change in volatility of Company's share price		
		30%	Unchanged (37.10%)	45%
Change in expected term	26 Weeks	$0.8m Decrease	$0.6m Decrease	$0.4m Decrease
	Unchanged (48 weeks)	$0.3m Decrease	-	$0.6m Increase
	65 Weeks	$0.1m Increase	$0.5m Increase	$1.0m Increase

7. PROPERTY, PLANT AND EQUIPMENT

Cost (In USD)	Note	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2021		**1,110,227**	**852,631**	**28,446,606**	**30,409,464**
Additions		3,670,590	1,170,962	38,926,044	43,767,596
Recognition of rehabilitation provision		-	-	4,431,212	4,431,212
Foreign exchange difference		-	2,546	-	2,546
31 December 2022		**4,780,817**	**2,026,139**	**71,803,862**	**78,610,818**
Additions		828,149	2,061,572	119,035,126	121,924,847
Capitalised net interest	6,17	-	-	12,171,745	12,171,745
Capitalised depreciation	10	-	-	2,006,890	2,006,890
Reassessment of rehabilitation provision	22	-	-	(757,425)	(757,425)
31 December 2023		**5,608,966**	**4,087,711**	**204,260,198**	**213,956,875**

Additions of $121,924,847 (31 December 2023: $43,767,596) excludes prior year prepaid capex of $17,119,197 and creditor balances of $10,397,180 (31 December 2022: 1,535,701). The investment in purchase of property, plant and equipment of $94,408,470 (31 December 2022: $42,231,895) in the consolidated statement of cash flows excludes prior prepaid CAPEX and creditor balances.

Capitalised interest consists of accrued interest expense in the year of $12,999,260 on the Orion Senior Debt Finance Package as set out in note 6, less $827,515 interest income, as set out in note 17.

Depreciation (in USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2021	**47,946**	**291,670**	**192,074**	**531,690**
Charge for the year	13,173	219,033	-	232,206
Foreign exchange difference	-	(13,641)	-	(13,641)
31 December 2022	**61,119**	**497,062**	**192,074**	**750,255**
Charge for the year	23,892	452,058	-	475,950
31 December 2023	**85,011**	**949,120**	**192,074**	**1,226,205**

Net Book Value (in USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2022	**4,719,698**	**1,529,077**	**71,611,788**	**77,860,563**
31 December 2023	**5,523,955**	**3,138,591**	**204,068,124**	**212,730,670**

Mine under construction amounts relate to the Vareš Project, located in Bosnia and Herzegovina. The balance of exploration and evaluation asset was transferred to mine under construction at the completion of the Feasibility Study in 2021.

The segmental analysis of property, plant and equipment net book value is as follows:

Cost (In USD)	Land & Buildings	Plant & Machinery	Mine under Construction	Total
31 December 2022				
Bosnia and Herzegovina	4,703,342	1,420,191	71,611,788	77,735,321
Serbia	-	89,837	-	89,837
Corporate	16,356	19,049	-	35,405
Total	**4,719,698**	**1,529,077**	**71,611,788**	**77,860,563**
31 December 2023				
Bosnia and Herzegovina	5,509,956	2,990,655	204,068,124	212,568,735
Serbia	-	102,119	-	102,119
Corporate	13,999	45,817	-	59,816
Total	**5,523,955**	**3,138,591**	**204,068,124**	**212,730,670**

8. EXPLORATION AND EVALUATION ASSETS

Cost (In USD)	Raska Project in Serbia	Exploration & Evaluation Assets
31 December 2021	**31,901,709**	**31,901,709**
Foreign exchange difference	(214,750)	(214,750)
Impairment	(23,186,959)	(23,186,959)
31 December 2022	**8,500,000**	**8,500,000**
31 December 2023	**8,500,000**	**8,500,000**
Net Book Value		
31 December 2022	8,500,000	8,500,000
31 December 2023	**8,500,000**	**8,500,000**

Exploration and evaluation assets relate to the Raska Project in Serbia.

The Raska exploration and evaluation balance at 31 December 2021 of $31,901,709 mainly reflects the $31,804,990 value recorded on the acquisition of the Tethyan group, by which the Company acquired the Kremice, Kizevak and Sastavci licences.

In late 2022 the Company carried out a strategic review of the Raska Project which resulted in changes to the development plan for the project. Focusing its resources on Vareš Project construction and on exploration at Rupice and Rupice NW meant that resources available for exploration in Serbia would be more focused and limited in 2023, with development taking place over a longer horizon, including advancing new prospects in the Company's tenement area during 2023 to complement Kizevak and Sastavci. In view of the longer horizon planned, the Company determined that it was appropriate to recognise an impairment of $23.2m against the project's carrying amount, reducing the carrying amount to $8.5m at 31 December 2022.

During 2023, there was successful intersection of mineralization at several of the new prospects from trench, surface and drill core sampling, while drilling results from the Rudnica prospect indicated the potential for an increase in the size of the historic Rudnica porphyry deposit. Nonetheless, further work is required before a maiden mineral resource may be established. All permits remain in good standing.

The Raska Project is managed as a single project and if advanced to the production stage, it is anticipated that there would be a single processing plant. The project is therefore treated as a single cash generating unit, with the post-impairment value of $8,500,000 attributed to the Raska Project as a whole instead of to specific tenements.

No further indicators of impairment or reversal of previous impairment have been identified in the year to 31 December 2023, the carrying value $8,500,000 remains unchanged from prior year.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(In USD)	31 December 2023	31 December 2022
Trade payables	13,719,583	2,585,755
Accrued liabilities	3,415,895	2,617,585
Other payables	537,342	138,400
	17,672,820	**5,341,740**

Trade payables increased during the year due to the increased activity on development/construction phase of Vareš project which went into production phase in Q1 2024.

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below are the carrying amounts of right-of-use assets accounted for in accordance with IFRS 16 and the movements during the year:

(In USD)	Land & buildings	Plant & Machinery	Total
31 December 2021	**733,246**	**-**	**733,246**
Additions	297,468	9,064,201	9,361,669
Modification	26,404	-	26,404
Depreciation	(155,602)	(904,115)	(1,059,717)
Foreign exchange difference	(107,937)	170	(107,767)
31 December 2022	**793,579**	**8,160,256**	**8,953,835**
Additions	1,097,289	599,552	1,696,841
Depreciation	(346,201)	(2,050,881)	(2,397,082)
Foreign exchange difference	64,327	1,905	66,232
31 December 2023	**1,608,994**	**6,710,832**	**8,319,826**

The largest right-of-use asset relates to mining equipment delivered under a five year mining services contract with Nova Mining & Construction d.o.o. Remaining leases relate to administrative buildings and coresheds for the Group.

Depreciation relating to right-of-use assets includes capitalised depreciation of $2,006,890 taken to Mine under construction, as set out in note 7 (31 December 2022: $nil). The corresponding charge in the income statement is $390,192 (31 December 2022: $1,059,717).

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

(In USD)	Land & buildings	Plant & Machinery	Total
31 December 2021	**767,098**	**-**	**767,098**
Additions	297,468	9,062,598	9,360,066
Modification	16,850	-	16,850
Interest expense	130,771	458,606	589,377
Payments	(270,236)	(2,209,332)	(2,479,568)
Foreign exchange difference	(57,590)	(9,492)	(67,082)
31 December 2022	**884,361**	**7,302,380**	**8,186,741**
Additions	981,918	599,552	1,581,470
Interest expense	104,598	998,720	1,103,318
Payments	(465,643)	(2,356,966)	(2,822,609)
Foreign exchange difference	85,262	2,385	87,647
31 December 2023	**1,590,496**	**6,546,071**	**8,136,567**

Of the total amount at 31 December 2023, $1,495,296 (31 December 2022: $2,379,000) is recognised as a current liability and the remainder $6,641,271 is shown within non-current liabilities (31 December 2022: $5,807,741). The maturity analysis of contractual undiscounted cash-flows is in note 12b .

The following are the amounts recognised in the statement of comprehensive income:

Cost (In USD)	12 months to December 2023	12 months to December 2022
Depreciation expense of right-of-use assets	2,397,082	1,059,717
Less: right-of-use asset depreciation capitalised to mine under construction	(2,006,890)	-
Interest expense on lease liabilities	1,103,318	589,377
Total amount recognised in profit or loss	**1,493,510**	**1,649,094**

The following are the amounts recognised in statement of cashflow:

Cost (In USD)	12 months to December 2023	12 months to December 2022
Capital payments on leases	(1,719,291)	(1,890,191)
Interest paid on leases	(1,103,318)	(589,377)
Total amount paid in respect of lease liabilities	**(2,822,609)**	**(2,479,568)**

11. FINANCIAL INSTRUMENTS

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy, depending on whether the fair value measurements are derived from:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); or
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction. Set out below are the financial instruments held at amortised cost and fair value through profit or loss and their fair value measurement hierarchy.

See note referenced for further detail on inputs to fair value for each financial instrument.

At 31 December 2023 (In USD)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		44,856,215	-	44,856,215	N/A
Accrued interest receivable	5	59,321	-	59,321	N/A
Total financial assets		**44,915,536**	**-**	**44,915,536**	
Financial liabilities					
Accounts payable and accrued liabilities	9	17,672,820	-	17,672,820	N/A
Borrowings	6	113,881,017	26,919,547	140,800,564	Level 3
Derivative liability	6	-	9,909,859	9,909,859	Level 3
Lease liabilities	10	8,136,567	-	8,136,567	Level 3
Total financial liabilities		**139,690,404**	**36,829,406**	**176,519,810**	**-**
Net financial assets/(liabilities)		**(94,774,868)**	**(36,829,406)**	**(131,604,274)**	**-**

At 31 December 2022 (In USD)	Note	At amortised cost	At fair value through profit or loss	Total	Fair Value Hierarchy
Financial assets					
Cash and cash equivalents		60,585,277	–	60,585,277	N/A
Accrued interest receivable	5	35,938	–	35,938	N/A
Total financial assets		**60,621,215**	**-**	**60,621,215**	**-**
Financial liabilities					
Accounts payable and accrued liabilities	9	5,341,740	–	5,341,740	N/A
Borrowings	6	42,498,052	-	42,498,052	Level 3
Derivative liability	6	-	6,369,219	6,369,219	Level 3
Lease liabilities	10	8,186,741	–	8,186,741	Level 3
Total financial liabilities		**56,026,533**	**6,369,219**	**62,395,752**	**-**
Net financial assets/(liabilities)		**4,594,682**	**(6,369,219)**	**(1,774,537)**	**-**

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 receivables (excluding prepayments).

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

The total carrying amount of cash and cash equivalents and receivables represents the Group's maximum credit exposure.

The Group's cash is held in major UK, Jersey, Australian, Serbian and Bosnian financial institutions, and as such the Group is exposed to credit risks of those financial institutions. The Group's main cash holdings are located in UK and Jersey A1 or A2 rated institutions and as such are considered to have low credit risk.

The Group's receivables primarily relate to value added tax receivables due from governments in the UK and Bosnia and Herzegovina. These amounts are excluded from the definition of financial instruments in the accounts and in any event are considered to have low credit risk. Of the remaining 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 & 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 of its 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 analyses the Group's financial liabilities and derivatives into the relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The contractual gross financial liabilities shown below are undiscounted estimated cash outflows which, where applicable, include estimated future interest payments, and certain amounts therefore differ from the amounts presented in the consolidated financial statements and elsewhere in the accompanying notes.

As at 31 December 2023 (In USD)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	17,672,820	-	-	-
Borrowings	-	-	47,373,197	93,427,367
Derivative liability	-	-	9,909,859	-
Lease liabilities	124,608	623,040	747,648	7,946,031
	17,797,428	**623,040**	**58,030,704**	**101,373,398**

As at 31 December 2022 (In USD)	Within 30 days	30 days to 6 months	6 to 12 months	Over 12 months
Accounts payable and accrued liabilities	5,341,740	–	-	-
Borrowings	-	-	-	46,316,489
Derivative liability	-	-	-	6,369,219
Lease liabilities	198,250	991,250	1,189,500	7,995,030
	5,539,990	**991,250**	**1,189,500**	**60,680,738**

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 and Herzegovina and in Serbia. As a result, a portion of the Group's expenditures, receivables, cash and cash equivalents, accounts payable and accrued liabilities are denominated in Bosnian Marks, Serbian Dinar, Great Britain Pounds, Australian Dollars, and Euros and are therefore subject to fluctuation in exchange rates.

At 31 December 2023, a 10% change in the exchange rate between USD and the Euro, Bosnian Mark and Serbian Dinar, which is a reasonable estimation of volatility in exchange rates, would have an impact of approximately $1.4m on the Group's total comprehensive loss, and approximately $1.6m on the balance of cash and cash equivalents.

D. Fair values

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

As set out in note 11, fair value measurements recognised in the consolidated statement of financial position subsequent to their initial fair value recognition can be classified into Levels 1 to 3 based on the degree to which fair value is observable.

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 Group defines capital as the equity attributable to equity shareholders of the Group which at 31 December 2023 was $110,657,966 (31 December 2022: $107,903,026).

The Group sets the amount of capital in proportion to its 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.

See note 6 for details of the Group's borrowings and derivative liability.

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

	Ordinary Shares	Share Capital (In USD)	Share Premium (In USD)	Merger Reserve (In USD)
31 December 2021	**266,073,240**	**5,279,546**	**143,259,675**	**23,019,164**
Shares issued as consideration for acquisition of subsidiary	332,000	5,579	-	478,566
Share Issue costs	-	-	(86,199)	-
Shares issued on exercise of options and performance rights	6,341,052	91,224	656,155	-
31 December 2022	**272,746,292**	**5,376,349**	**143,829,631**	**23,497,730**
Issue of share capital	14,807,632	251,055	31,427,918	-
Share Issue costs	-	-	(2,111,505)	-
Shares issued on exercise of options and performance rights	5,180,495	85,378	999,562	-
31 December 2023	**292,734,419**	**5,712,782**	**174,145,606**	**23,497,730**

The average price paid for shares issued in the year was $1.64 per share (31 December 2022: $0.19 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 table summarises movements of the Company's share option plan:

	Weighted average exercise price of options (USD)	Number of options	Number of performance rights	Total options and performance rights
31 December 2021	**0.39**	**12,212,480**	**990,000**	**13,202,480**
Granted	N/A	-	548,012	548,012
Exercised	0.12	(7,016,600)	(290,000)	(7,306,600)
Expired	1.28	(21,580)	(306,418)	(327,998)
31 December 2022	**0.46**	**5,174,300**	**941,594**	**6,115,894**
Granted	N/A	-	1,811,174	1,811,174
Exercised	0.13	(5,018,260)	(588,194)	(5,606,454)
Expired	1.47	(14,940)	(102,503)	(117,443)
31 December 2023	**2.25**	**141,100**	**2,062,071**	**2,203,171**

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.

No options were granted during the year or prior year. Performance rights granted in the year were valued using the Black-Scholes method (see note 13F).

Options outstanding:

At 31 December 2023

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
8 October 2020	91,300	£1.80	0.2	28 February 2024	91,300
8 October 2020	24,900	£2.22	0.2	7 March 2024	24,900
8 October 2020	24,900	£1.20	0.6	19 August 2024	24,900
	141,100				**141,100**

At 31 December 2022

Grant date	Options outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
27 April 2018	4,000,000	A$0.20	0.5	1 July 2023	4,000,000
8 October 2020 [1]	3,320	£1.06	-	5 December 2022	3,320
8 October 2020	29,880	£1.06	0.1	3 January 2023	29,880
8 October 2020	91,300	£1.80	1.2	28 February 2024	68,060
8 October 2020	24,900	£2.22	1.2	7 March 2024	14,940
8 October 2020	24,900	£1.20	1.6	19 August 2024	14,940
6 November 2020	1,000,000	A$2.20	0.9	7 November 2023	1,000,000
	5,174,300				**5,131,140**

1. The conditions to exercise were met prior to the expiry date of 5 December 2022 and the shares were subsequently issued on 17 January 2023.

Performance rights outstanding:

At 31 December 2023

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
17 February 2022	100,000	0.0	31 December 2023	100,000
17 February 2022	100,000	0.5	30 June 2024	100,000
17 February 2022	23,765	2.0	31 December 2025	14,537
5 April 2022	100,000	0.0	31 December 2023	100,000
5 April 2022	25,000	1.0	31 December 2024	-
23 February 2023	225,189	3.0	31 December 2026	78,193
24 May 2023	142,778	4.0	1 January 2028	-
24 May 2023	434,272	4.4	24 May 2028	-
18 September 2023	911,067	4.4	24 May 2028	-
	2,062,071			**392,730**

At 31 December 2022

Grant date	Performance rights outstanding	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
6 August 2020	500,000	2.0	31 December 2024	-
17 February 2022	100,000	1.0	31 December 2023	-
17 February 2022	100,000	1.5	30 June 2024	-
17 February 2022	41,594	3.0	31 December 2025	-
5 April 2022	100,000	1.0	31 December 2023	-
5 April 2022	50,000	2.0	31 December 2024	-
5 April 2022	50,000	3.0	31 December 2025	-
	941,594			**-**

D. Warrants reserve

Warrants were issued as part of Tethyan Resource Corp acquisition.

The following table presents movements in the Group's warrants reserve:

(In USD)	Warrants reserve
31 December 2021	**2,743,303**
Exercise of warrants	-
Expired warrants	-
31 December 2022	**2,743,303**
Exercise of warrants	-
Expired warrants	-
31 December 2023	**2,743,303**

31 December 2023

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	2,651,020	£0.88	0.1	30 January 2024	2,651,020
	2,651,020				**2,651,020**

At 31 December 2022

Grant date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (Years)	Expiry date	Number exercisable
29 November 2019	2,651,020	£0.88	1.1	30 January 2024	2,651,020
	2,651,020				**2,651,020**

E. Share-based payment reserve

The following table presents changes in the Group's share-based payment reserve during the year ended 31 December 2023:

(In USD)	Share-based payment reserve
31 December 2021	**5,778,882**
Exercise of share options and performance rights	(2,130,739)
Issue of performance rights	873,155
Short term incentive plan awards	576,000
Expiry/cancellation of share options and performance rights	(153,862)
31 December 2022	**4,943,436**
Exercise of share options and performance rights	(2,337,235)
Short term incentive plan awards	(576,000)
Issue of performance rights	1,644,777
Expiry/cancellation of share options and performance rights	(83,758)
31 December 2023	**3,591,220**

By agreement with the Company, in the prior year certain members of the Company's executives elected to reinvest their short term incentive plan cash bonuses in respect of performance in the year ended 31 December 2022. In lieu of paying such cash bonuses, on 13 February 2023 the Company issued an aggregate of 258,760 new ordinary shares at an issue price of £1.70 per share. This transaction falls under the scope of IFRS 2 and for the year ended 31 December 2022, $576,000 has been recognised in the share-based payment reserve (current year; nil).

F. Share-based payment expense

During the year ended 31 December 2023; the Group recognised share-based payment expenses of $1,561,020 (31 December 2022: $1,295,293).

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Awards and expiry/cancellations during the year		
Issue of options and performance rights	934,674	367,525
Short term incentive plan awards	-	576,000
Expiry/cancellation of options	(79,776)	(3,971)
	854,898	**939,554**
Awards and expiry/cancellations relating to prior years awards		
Issue of options and performance rights	710,104	505,630
Expiry/cancellation of options	(3,982)	(149,891)
	706,122	**355,739**
	1,561,020	**1,295,293**

The issue of options and performance rights gives rise to a share-based payment expense which is based on the fair value of the share-based payment compensation, which is recognised over the expected vesting period.

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:

	Year Ended 31 December 2023	Year Ended 31 December 2022
Risk-free interest rate	3.01% - 3.93%	0.33% -1.31%
Expected volatility [1]	39% - 56%	33% - 36%
Expected life (years)	3.85-5.01	1.7 – 3.9
Fair value per performance right	$1.03 - $2.23	$1.50 – $1.79

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

All options and performance rights have both market and non-market vesting conditions with the exception of those issued to Non-Executive Directors in prior periods. 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 & Nomination Committee Report.

G. Per share amounts

	Year Ended 31 December 2023	Year Ended 31 December 2022
Loss for the year attributable to owners of the parent equity (In USD)	28,932,859	47,142,818
Weighted average number of common shares for the purposes of basic loss per share	282,504,794	267,970,085
Weighted average number of common shares for the purposes of diluted loss per share	282,504,794	267,970,085
Basic loss per share (cents)	(10.24)	(17.59)
Diluted loss per share (cents)	**(10.24)**	**(17.59)**

As at 31 December 2023, there are 2,792,478 potentially dilutive share options (31 December 2022: 14,201,426 potentially dilutive share options) which were not included in the calculation of diluted earnings per share as their conversion to ordinary shares would have decreased the loss per share.

H. Foreign currency translation reserve

(In USD)	Foreign Currency Translation Reserve
31 December 2021	**1,073,214**
Other comprehensive income	187,119
31 December 2022	**1,260,333**
Other comprehensive income	50,372
31 December 2023	**1,310,705**

I. Cash flow from financing activities

In the year to 31 December 2023, net cash flow proceeds from the issue of ordinary shares in the year were $32,767,588 (31 December 2022: $747,379). Transaction costs arising from equity financing activities totaled $2,111,505 (31 December 2022: $86,199), as set out in note 13B.

14. TAXATION

A. Current taxation

The tax credit/(charge) for the year comprises:

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Current tax expense	-	-
Prior year tax expense	-	-
Overseas tax	-	-
Deferred tax expense	-	-
Adjustments to deferred tax liability	-	-
Total tax credit/(charge)	**-**	**-**

The table below reconciles the tax credit/(charge) on the Group's loss for the year with the standard rate of corporation tax in the United Kingdom:

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Loss before tax	28,932,859	47,142,818
Tax credit on loss at standard UK rate of 23.52% (2022 - 19%)	6,805,008	8,957,135
Effects of:		
Expenses not deductible for tax purposes	(1,463,970)	(4,405,522)
Income not taxable	58,545	
Effects of overseas tax rates	(1,889,159)	(525,663)
Unrecognised taxable losses and timing differences	(3,510,424)	(4,025,950
Total income taxes	**-**	**-**

B. Deferred tax

Deferred tax assets on certain corporation tax losses and other short-term temporary differences totaling $75.6m (31 December 2022: $56.1m) have not been recognised because of uncertainty regarding recoverability against future taxable profits. These assets will be recognised if utilization of the losses and other temporary differences becomes probable.

(In USD)	31 December 2023	31 December 2022
UK	44,923,652	37,864,738
Bosnia and Herzegovina	17,094,404	6,808,636
Serbia	13,582,218	11,377,330
	75,600,274	**56,050,704**

15. EXPLORATION ACTIVITIES EXPENSED

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Exploration activities expensed	2,090,498	1,361,548

Exploration activities expensed during the year represent costs incurred at the Raska Project, for which a JORC-compliant resource has not yet been established.

16. GENERAL AND ADMINISTRATIVE EXPENSES

(In USD)	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Wages and salaries		6,459,385	4,446,812
Consultancy fees		1,128,926	1,009,655
Cash remuneration in respect of qualifying services		**7,588,311**	**5,456,467**
Professional fees		2,810,932	892,886
Amortisation	10	390,192	1,059,717
Depreciation	7	475,950	232,206
Audit fee		330,069	194,600
Non audit services		38,900	45,980
Marketing		557,497	777,612
Stock exchange fees		172,652	188,862
Property Costs		1,714,045	412,292
IT expense		609,299	218,407
Insurance		339,967	225,556
Transportation costs		1,312,956	324,626
Other costs		889,157	610,573
		17,229,927	**10,639,784**

17. FINANCE INCOME AND EXPENSE

(In USD)	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Interest income		1,567,464	334,497
Foreign exchange gain		208,826	-
Interest capitalised within property, plant and equipment	7	(827,515)	-
Finance income		**948,775**	**334,497**

Interest income of $827,515 above and accrued interest expense of $12,999,260 on the Orion Senior Debt Finance Package has been capitalised within additions to the mine under construction asset, a net capitalised amount of $12,171,745, as shown in note 7.

Interest income relates to interest earned on cash holdings.

(In USD)	Note	Year Ended 31 December 2023	Year Ended 31 December 2022
Interest expense	6	1,718,284	1,890,937
Interest expense on lease liabilities	10	1,103,318	589,377
Amortisation of day one fair value gain on Copper Stream	5	91,966	-
Fair value Copper Stream liability revaluation	6	2,548,423	-
Foreign exchange loss		-	4,592,379
Finance expense		**5,461,991**	**7,072,693**

$1,718,284 of interest expense above, as shown in note 6, relates to the QRC convertible bond. See note 6 d) for further details.

18. SEGMENTAL INFORMATION

The segmental analysis of the Group's loss after tax and movement in non-current assets is as follows:

	Year ended 31 December 2023				Year ended 31 December 2022			
(In USD)	Bosnia	Serbia	Corporate	Total	Bosnia	Serbia	Corporate	Total
Exploration costs	-	(2,090,498)	-	(2,090,498)	(775)	(1,360,773)	-	(1,361,548)
General and administrative expenses	(9,311,012)	(2,058,972)	(5,859,942)	(17,229,927)	(3,444,901)	(1,203,301)	(5,991,582)	(10,639,784)
Share-based payment expense	-	-	(1,561,020)	(1,561,020)	-	-	(1,295,293)	(1,295,293)
Exploration and evaluation impairment	-	-	-	-			(23,186,959)	(23,186,959)
Other income	-	-	2,442	2,442	-		9,024	9,024
Operating Loss	**(9,311,012)**	**(4,149,470)**	**(7,418,520)**	**(20,879,003)**	**(3,445,676)**	**(2,564,074)**	**(30,464,810)**	**(36,474,560)**
Finance income	-	-	948,775	948,775	-	-	334,497	334,497
Finance expense	(1,055,737)	(28,394)	(4,377,860)	(5,461,991)	(735,100)	(64,253)	(6,273,340)	(7,072,693)
Revaluation of derivative liability	-	-	(3,540,640)	(3,540,640)	-	-	(4,081,401)	(4,081,401)
Revaluation of deferred consideration	-	-	-	-	-	-	151,339	151,339
Loss before taxation	(10,366,749)	(4,177,864)	(14,388,245)	(28,932,859)	(4,180,776)	(2,628,327)	(40,333,715)	(47,142,818)
Tax charge	-	-	-	-	-	-	-	-
Loss for the year	**(10,366,749)**	**(4,177,864)**	**(14,388,245)**	**(28,932,859)**	**(4,180,776)**	**(2,628,327)**	**(40,333,715)**	**(47,142,818)**
Purchase of mining under construction assets	108,637,946	-	-	108,637,946	37,390,342	-	-	37,390,342

19. OTHER INCOME

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Recharge of corporate office facilities and services	2,442	9,024
	2,442	**9,024**

Recharge of corporate office facilities and services relates to shared facilities of the Company's registered UK office address. See related party disclosures for further details.

20. 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 and any entities over which the Company may exert significant influence. The Company has identified the following related parties:

- Swellcap Limited, an entity controlled by Paul Cronin;
- Black Dragon Gold Corp, an entity of which Paul Cronin is the Non Executive Chairman and substantial shareholder;
- Legal Solutions d.o.o., an entity of which Sanela Karic is Chief Executive Officer and substantial shareholder;
- OMF Fund III (F) Ltd an entity controlled by Orion Resource Partners (UK) LLP, a major shareholder in Adriatic Metals PLC and provider of the Senior Secured Debt to Adriatic Metals Trading and Finance Ltd.;
- Ventura Trustees Limited provides administration and accountancy services to Adriatic Metals Trading and Finance Ltd. Darren English and Stuart Hodgson are directors, and Paulina Harvey is an employee, of Ventura Trustees Limited, in which capacity they are also directors of subsidiary Adriatic Metals Trading and Finance Ltd.,
- Baccata Secretaries Limited provides company secretarial services to Adriatic Metals Trading and Finance Ltd. Darren English and Stuart Hodgson are directors of Baccata Secretaries Limited, in which capacity Darren English is a director, and Stuart Hodgson was a director until his resignation during the year, of Adriatic Metals Trading and Finance Ltd.; and
- The Adriatic Foundation is a not-for-profit trust which was created in Bosnia and Herzegovina with the objective of supporting the communities around the Vareš Project. Adriatic Metals PLC provided the initial funding required for the formation of the Foundation. The Company has the ability to appoint the Board of Trustees of the Foundation and the Foundation has therefore been classified as a related party on the basis that the Company is in a position to yield significant influence over it.

Transactions and balances with these related parties were as follows:

	Year ended 31 December 2023		Year ended 31 December 2022		
Related Party (In USD)	(Paid to)/ received from the related party	Balance (owed to)/due from the related party	(Paid to)/ received from the related party	Balance (owed to)/due from the related party	Nature of transactions
Black Dragon Gold Corp	2,442	-	8,973	1,543	Corporate office facilities and services
Black Dragon Gold Corp	-	-	(6,276)	-	Travel Expenses
Legal Solutions d.o.o	(193,468)	(25,610)	(14,381)	(2,875)	Legal Services
OMF Fund III (F) Ltd	60,000,000	(100,591,470)	30,000,000	(30,030,806)	Senior Secured Debt
OMF Fund III (F) Ltd	22,500,000		-	-	Copper Stream
Ventura Trustees Limited	(16,930)	-	(10,242)	(15,813)	Administration and accountancy services
Baccata Secretaries Limited	(34,104)	(3,400)	396	(1,513)	Company secretarial services
Adriatic Foundation	-	-	-	-	

The Company announced on 9 June 2021 its intention to donate 0.25% of the future profits from its operations in Bosnia and Herzegovina to the Foundation.

Transactions with key management personnel are disclosed in note 20b below.

B. Key management personnel compensation

Compensation for key management personnel is shown in the table below. 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 Non-Executive Directors and the Managing Director and Chief Executive Officer in the year ended 31 December 2023. The year ended 31 December 2022 key management personnel also included the previous Chief Financial Officer up until departure.

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Board fees	441,662	385,455
Consultancy fees	444,737	465,257
Short term incentive plan bonus	329,904	272,597
Other	-	117,561
Cash remuneration in respect of qualifying services	**1,216,303**	**1,240,870**
Share-based payments expense	290,244	-
Social security costs	28,687	29,512
	1,535,234	**1,270,382**

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 13F of the accounts.

Consultancy fees above include amounts paid to related party companies controlled by key management personnel.

The balances owed at 31 December 2023 in respect of STIP bonuses was $329,738 to the Managing Director and Chief Executive Officer (prior year $279,887). There were no other balances outstanding with related parties at 31 December 2023 (31 December 2022: $nil)

21. DIRECTORS AND EMPLOYEES

Employees of the Group are all employees including Directors, key management personnel and personnel in management positions engaged under management services contracts. The table below shows total costs for all employees, including costs capitalised during the year.

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Wages and salaries	8,219,438	4,775,218
Consultancy fees	4,483,680	2,373,539
Cash remuneration in respect of qualifying services	**12,703,118**	**7,148,757**
Social security costs	4,758,788	2,365,912
Defined contribution pension cost	13,598	12,172
Share-based payments expense	1,561,020	1,295,293
Total	**19,036,524**	**10,822,134**
Average number of employees	296	158

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 13F of the accounts.

The average number of employees during the year increased to 296 in the year (31 December 2022 – 158 employees). This is due to the progression of the Vareš Project.

	Serbia	Bosnia	UK
Exploration	23	39	-
Mining	-	156	-
Administration	8	60	10
Total	**31**	**255**	**10**

Directors' remuneration is set out below:

(In USD)	Year Ended 31 December 2023	Year Ended 31 December 2022
Board fees	441,662	385,455
Consultancy fees	444,737	380,542
Accrued cash bonus	329,904	272,597
Benefits	60,503	-
Cash remuneration in respect of qualifying services	**1,276,806**	**1,038,594**
Average number of Directors	6	6

There were no directors' share awards that vested in the year (31 December 2022: nil).

The highest paid Director in the year ended 31 December 2023 received cash remuneration, excluding notional gains on share options or performance rights, of $866,590 (31 December 2022: $601,303).

22. REHABILITATION PROVISION

Based on construction activity on the Vareš Project during the year, the Group has recognised a provision for the discounted future costs of closure, restoration and environmental obligations of $3,673,787 (31 December 2022: $4,431,212). The main reason for the reduction in the provision is due to the increase in the mine life resulting in heavier discounting of future cashflows.

(In USD)	Note	31 December 2023	31 December 2022
At 1 January		4,431,212	-
Recognition of rehabilitation provision		-	4,431,212
Impact of life of mine extension	7	(757,425)	-
At 31 December		**3,673,787**	**4,431,212**

The provision represents the net present value of the Company's best estimate of the Vareš mine's future closure, restoration and environmental obligations, based on the extent of land and other disturbance at period end caused by construction and other activities.

The Vareš mine is not yet operational, and the estimated mine life has increased from ten to eighteen years to 2041. Expenditure for rehabilitation will therefore occur more than 5 years after the balance date.

The present value of the above provision is measured by unwinding the discount on expected future cash flows over the period up to closure, using a discount factor of 4.2% that reflects the risk-free rate of interest. The yield of US Treasury bonds with a maturity profile commensurate with the anticipated rehabilitation schedule has been used to determine the discount factor applied to anticipated future rehabilitation costs.

The sensitivity of the provision to a 1% change in the discount factor is shown below:

- a decrease from 4.2% to 3.2% would increase the provision by $0.7m with a corresponding increase in Property, plant and equipment; and
- an increase from 4.2% to 5.2% would decrease the provision by $0.6m with a corresponding decrease in Property, plant and equipment.

Future climate change risks could impact the rehabilitation provision both in terms of the nature of decommissioning and rehabilitation required, as well as the cost of these activities given its long-term nature. Climate change risks and mitigations have been considered in the TCFD Climate Disclosure within the Directors report, based on scenario analysis of potential future transition and physical risks. Specific detailed analysis of the potential impacts of climate risks will be carried out in future periods, which could result in adjustments to the provision.

23. COMMITMENTS AND CONTINGENCIES

At 31 December 2023, the Group had entered into a number of supply and works contracts as part of the development of the Vareš Project. The expected payments in relation to these contracts which were not required to be recognised as liabilities at 31 December 2023 amounted to approximately $11m. Of this total, approximately $6m relates to contracts that the Group is able to terminate at any point in time. The amount payable following termination would be less than this total, with the precise amount depending on the timing of termination in each case. In addition, of the same total of approximately $11m, all relate to contracts that can be suspended by the Company, with the Company paying only direct costs that are reasonably incurred and directly related to any such suspension for the time the supply of the goods is suspended.

At 31 December 2023, the Group has also entered into a five-year mining services contract with Nova Mining & Construction d.o.o. The Group is able to terminate the contract for convenience at any point in time. Amounts payable following such termination would include demobilisation and similar costs, as well as a compensation payment of up to $5m, depending on the timing of termination. As this amount reduces on a straight line basis over the life of the contract, the termination for convenience amount at 31 December 2023 would be $3.4m. In addition, the Group has committed to purchase the mining equipment provided by Nova Mining & Construction d.o.o., in order to ensure continuity of operations.

24. NET CASH AND BORROWINGS

An analysis of net cash and borrowings, including lease liabilities, and movements in each year is shown below.

(In USD)	Note	31 December 2023	31 December 2022
Cash and cash equivalents		44,856,215	60,585,277
Borrowings	6	(140,800,564)	(42,498,052)
Lease liabilities	10	(8,136,567)	(8,186,741)
		(104,080,916)	**9,900,484**

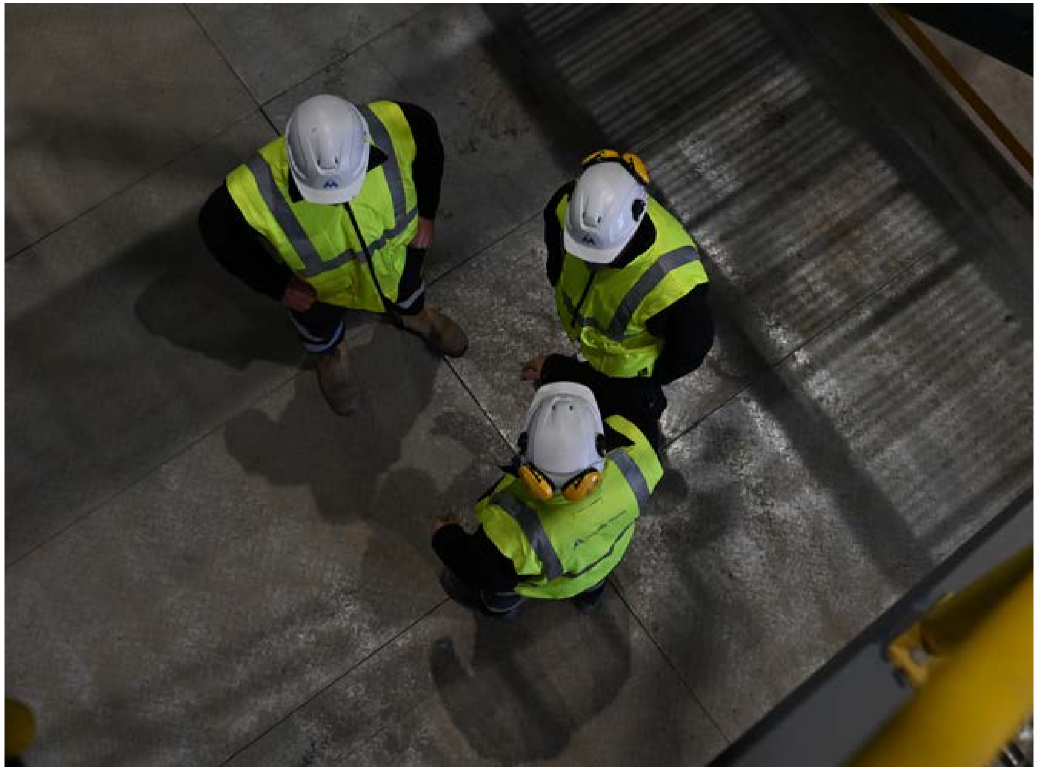
	Borrowings	Lease liabilities	Cash and cash equivalents	Total
Net cash/(borrowings) at 1 January 2022	**(16,071,066)**	**(767,098)**	**112,506,468**	**95,668,304**
Net cash used in operating activities	-	-	(11,233,068)	(11,233,068)
Net cash used in investing activities	-	-	(58,664,242)	(58,664,242)
Net proceeds from loans and borrowings	(26,176,885)	-	26,176,885	-
Lease additions	-	(9,360,066)	-	(9,360,066)
Foreign exchange movements	-	67,082	(4,433,976)	(4,366,894)
Changes in fair value due to modifications	(214,605)	(16,850)	-	(231,455)
Interest expense	(1,735,496)	(589,377)	-	(2,324,873)
Net interest payments	1,700,000	589,377	(2,011,994)	277,383
Capital payments on leases	-	1,890,191	(1,890,191)	-
Settlement of deferred consideration	-	-	(525,785)	(525,785)
Net cash arising from issue of equity	-	-	661,180	661,180
Net cash/(borrowings) at 31 December 2022	**(42,498,052)**	**(8,186,741)**	**60,585,277**	**9,900,484**
Net cash used in operating activities	-	-	(22,886,414)	(22,886,414)
Net cash used in investing activities	-	-	(99,485,435)	(99,485,435)
Net proceeds from loans and borrowings	(81,060,421)	-	81,060,421	-
Lease additions	-	(1,581,470)	-	(1,581,470)
Foreign exchange movements	-	(87,647)	(356,108)	(443,755)
Changes in fair value	(4,419,547)	-	-	(4,419,547)
Interest expense	(14,717,544)	(1,103,318)	-	(15,820,862)
Net interest payments	1,895,000	844,592	(2,739,592)	-
Capital payments on leases	-	1,978,017	(1,978,017)	-
Net cash arising from issue of equity	-	-	30,656,083	30,656,083
Net cash/(borrowings) at 31 December 2023	**(140,800,564)**	**(8,136,567)**	**44,856,215**	**(104,080,916)**

25. SUBSEQUENT EVENTS

On 24 January 2024, the Company announced that the fourth and final Senior Secured Debt tranche of $30m had been drawn down under the Orion Senior Secured Debt Facility, and that the first quarterly debt repayment to Orion had been rescheduled from 30 June 2024 to 31 December 2024, with quarterly repayments thereafter..

On 27 February 2024, the Vareš Project in Bosnia and Herzegovina produced its first concentrate. The Vareš Processing Plant will continue ramping up with campaign processing, via the down blending of high-grade stockpiled ore with lower grade stockpiles. The campaign processing is intended to facilitate plant performance optimisation. The Project will continue to ramp up to consistent production to nameplate processing capacity of approximately 65,000t per month targeted to be reached by Q4 2024.

On 4 March 2024, the Company allotted 10,981,770 new ordinary shares of £0.013355 each in connection with the conversion by Queens Road Capital Investment Ltd of unsecured convertible bonds in the principal amount of $20m at a conversion price of A$2.7976 ($1.8212 or £1.4394) per share. The shares rank pari passu with the Company's existing ordinary shares.



Parent company statement of financial position

At 31 December 2023

(In USD)	Note	31 December 2023	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents		29,676,016	27,143,743
Receivables and prepayments	f	33,158,466	22,674,681
Total current assets		**62,834,482**	**49,818,424**
Non-current assets			
Investment in subsidiaries	i	34,929,119	34,929,119
Receivables and prepayments	f	67,652,967	57,733,284
Property, plant and equipment	g	28,576	35,406
Right-of-use asset	m	215,963	249,697
Total non-current assets		**102,826,625**	**92,947,506**
Total assets		**165,661,107**	**142,765,930**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	h	1,676,757	1,171,031
Lease liabilities	n	49,239	48,889
Borrowings	o	16,108,967	-
Derivative liability	o	9,909,859	
Total current liabilities		**27,744,822**	**1,219,920**
Non-current liabilities			
Accounts payable and accrued liabilities	h	-	5,240
Lease liabilities	n	206,667	238,535
Borrowings	o	-	16,285,683
Derivative liability	o	-	6,369,219
Total non-current liabilities		**206,667**	**22,898,677**
Total liabilities		**27,951,489**	**24,118,597**

(In USD)	Note	31 December 2023	31 December 2022
Equity			
Share capital		**5,712,782**	**5,376,349**
Share premium		174,145,606	143,829,631
Merger reserve		23,497,730	23,497,730
Warrants reserve		2,743,303	2,743,303
Foreign currency translation reserve		**2,513,538**	**2,513,538**
Share-based payment reserve		3,591,220	4,943,436
Retained deficit		(74,494,561)	(64,256,654)
Total equity		**137,709,618**	**118,647,333**
Total liabilities and equity		**165,661,107**	**142,765,930**

The accompanying notes on pages 157-160 are an integral part of these Parent Company Financial Statements.

The Company's loss after tax for the year ended 31 December 2023 was $12,575,142 (year ended 31 December 2022: $48,630,562).

The Parent Company Financial Statements of Adriatic Metals PLC, registered number 10599833, were approved and authorised for issue by the Board of Directors on 27 March 2024 and were signed on its behalf by:

Paul Cronin
Managing Director & Chief Executive Officer

Mike Norris
Chief Financial Officer

Parent company statement of changes in equity

For the year ended 31 December 2023

(In USD)	Note	Share Capital	Share Premium	Merger Reserve	Share-based Payment Reserve	Warrants Reserve	Foreign Currency Translation Reserve	(Restated*) Retained earnings	Total Equity
31 December 2021		**5,279,546**	**143,259,675**	**23,019,164**	**5,778,882**	**2,743,303**	**2,513,416**	**(17,756,831)**	**164,837,155**
Comprehensive expense for the year									
Loss for the year	e	-	-	-	-	-	122	(48,630,562)	(48,630,440)
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**122**	**(48,630,562)**	**(48,630,440)**
Share issue costs	j	-	(86,199)	-	-	-	-	-	(86,199)
Exercise of options	j	91,224	656,155	-	(2,130,739)	-	-	2,130,739	747,379
Issue of options	j	-	-	-	873,155	-	-	-	873,155
2022 STIP awards	j	-	-	-	576,000	-	-	-	576,000
Expiry/cancellation of options/warrants	j	-	-	-	(153,862)	-	-	-	(153,862)
Acquisition of subsidiary		5,579	-	478,566	-	-	-	-	484,145
31 December 2022		**5,376,349**	**143,829,631**	**23,497,730**	**4,943,436**	**2,743,303**	**2,513,538**	**(64,256,654)**	**118,647,333**
Comprehensive expense for the year									
Loss for the year	e	-	-	-	-	-	-	(12,575,142)	(12,575,142)
Total comprehensive expense		**-**	**-**	**-**	**-**	**-**	**-**	**(12,575,142)**	**(12,575,142)**
Issue of share capital	j	251,055	31,427,918	-			-	-	31,678,973
Share issue costs	j	-	(2,111,505)	-	-	-	-	-	(2,111,505)
Exercise of options	j	81,196	469,929	-	(2,337,235)	-	-	2,337,235	551,125
Issue of options	j	-	-	-	1,644,777	-	-	-	1,644,777
2022 STIP awards	j	4,182	529,633	-	(576,000)	-	-	-	(42,185)
Expiry/cancellation of options/warrants	j	-	-	-	(83,758)	-	-	-	(83,758)
31 December 2023		**5,712,782**	**174,145,606**	**23,497,730**	**3,591,220**	**2,743,303**	**2,513,538**	**(74,494,561)**	**137,709,618**

See note b to the Parent Company Financial Statements for details of the restatement of the prior year comparatives.
The accompanying notes on pages 157-160 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 31 December 2023.

The Parent Company is a public company limited by shares and incorporated in England and 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

In preparing these financial statements, the Company applies Financial Reporting Standards 101, 'Reduced Disclosure Framework' (FRS 101 'Reduced Disclosure Framework'), and applicable law.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned Group companies;
- Comparative year reconciliations for share capital, and intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; a statement of compliance with FRS 101 is provided instead.
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The Parent Company Financial Statements were authorised for issue by the Board of Directors on 27 March 2024.

ii) Basis of preparation

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

These Parent Company Financial Statements are presented in USD. Unless otherwise stated, all amounts indicated by "$" represent USD.

iii) Going concern

Refer to accounting policies in note 2C to the notes to the consolidated financial statements.

C. Accounting policies

In addition to the accounting policies in note 3 of the Group 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, is made via capital contributions and recorded as additions to investments in subsidiaries.

ii) Intercompany loans

All intercompany borrowings and loans are initially recognised at the fair value of consideration received or paid after deduction of issue costs and are subsequently measured at amortised cost.

iii) Impairment

The Company recognises an allowance for expected credit losses ("ECL") for all receivables held at amortised cost where there is objective evidence that the receivable is irrecoverable. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

D. Critical accounting estimates and judgements

The preparation of the Parent Company's Financial Statements 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 to the consolidated financial statements, the following information about the material 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's investments in subsidiaries, which are made via capital contributions or arise upon acquisition, 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.

As set out in note i, following a reorganisation of the entities holding exploration tenements in Serbia, as a result of which all four licences were transferred to Ras Metals d.o.o., Adriatic Metals Jersey Limited was no longer the owner of any tenements with licences at 31 December 2022. This was identified as an impairment indicator in relation to the Parent Company's investment in Adriatic Metals Jersey Limited, as it cast doubt on Adriatic Metals Jersey Limited's fair value. A judgement was made to recognise a full impairment of $3,973,286 against the investment balance.

As also set out in note i, impairment indicators were identified in the year ended 31 December 2022 in relation to the Raska Project and judgement was made to recognise an impairment of $22,177,477 against the carrying amount of the investment in Ras Metals d.o.o., holder of the Raska Project tenements, resulting in a carrying amount of $8,500,000 at 31 December 2022. The carrying amount has been determined by a benchmarking exercise using industry standard valuation measures. No further indicators of impairment have been noted at 31 December 2023.

ii.) Intercompany loans

As set out in note f, judgement has been made to establish a provision of $11,932,591 (31 December 2022: $7,489,859) against foreign exchange adjusted receivables on the basis that the Raska Project impairment cast doubt on the subsidiaries' ability to repay the balances outstanding in the future.

E. Loss for the year

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 ended 31 December 2023 is $12,575,142 (year ended 31 December 2022: $48,630,562).

F. Receivables and prepayments

Receivables contain amounts receivable for VAT, prepaid expenses and deposits paid. All receivables are held at cost less any provision for impairment.

The Raska Project impairment set out in note d cast doubt over the ability of the subsidiaries to repay intercompany balances owed to the Parent Company and a provision of $11,932,591 at 31 December 2023 (prior year: $7,489,859) was recognised, representing 100% of the balance of the receivables relating to the Raska Project reducing the non current amounts receivable from subsidiaries from $79,585,558 to a net receivable $67,652,967 (31 December 2022: from $65,223,143 to net receivable $57,733,284).

All current receivables due within one year as follows:

(In USD)	31 December 2023	31 December 2022
Accrued interest income	59,321	57,114
Prepayments and deposits	215,179	202,118
Taxes recoverable	94,574	74,184
Amounts receivable from subsidiaries	32,789,392	22,309,041
Other receivables	-	32,224
	33,158,466	**22,674,681**

All non-current receivables due more than one year as follows:

(In USD)	31 December 2023	31 December 2022
Amounts receivable from subsidiaries	67,652,967	57,733,284
	67,652,967	**57,733,284**

G. Property, plant and equipment

(In USD)	Land & Buildings	Plant and machinery	Total
Cost			
31 December 2021	23,570	79,800	103,370
Additions	-	10,110	10,110
Foreign exchange difference	-	2,546	2,546
31 December 2022	**23,570**	**92,456**	**116,026**
Additions	-	1,612	1,612
31 December 2023	**23,570**	**94,068**	**117,638**
Depreciation			
31 December 2021	4,857	52,011	56,868
Charge for the year	2,356	21,396	23,752
31 December 2022	7,213	73,407	80,620
Charge for the year	2,358	6,084	8,442
31 December 2023	**9,571**	**79,491**	**89,062**
Net Book Value			
31 December 2022	16,357	19,049	35,406
31 December 2023	**13,999**	**14,577**	**28,576**

H. Accounts payable and accrued liabilities

The breakdown of current accounts payable and accrued liabilities is as follows:

(In USD)	31 December 2023	31 December 2022
Trade payables	337,525	89,199
Accrued liabilities	1,284,135	918,861
Other payables	55,097	70,472
Amounts payable to subsidiaries	-	92,499
	1,676,757	**1,171,031**

The breakdown of non-current accounts payable and accrued liabilities is as follows:

(In USD)	31 December 2023	31 December 2022
Amounts payable to subsidiaries	-	5,240
	-	**5,240**

I. Investments in subsidiaries

The breakdown of the investments in subsidiaries is as follows:

(In USD)	Eastern Mining d.o.o.	Adriatic Metals Holdings BIH Limited	Adriatik Metals d.o.o.	RAS Metals d.o.o.	Adriatic Metals Jersey Ltd	Total
31 December 2021	**-**	**26,426,143**	**2,956**	**30,677,477**	**3,973,286**	**61,079,862**
Impairment	-	-	-	(22,177,477)	(3,973,286)	(26,150,763)
Foreign currency revaluation	-	20	-	-	-	20
31 December 2022 and 31 December 2023	**-**	**26,426,163**	**2,956**	**8,500,000**	**-**	**34,929,119**

Following a reorganisation of the entities holding exploration tenements in Serbia, as a result of which all four licenses were transferred to Ras Metals d.o.o., Adriatic Metals Jersey Limited was no longer the owner of any tenements with licenses at 31 December 2022. This was identified as an impairment indicator in relation to the Parent Company's intercompany receivable from Adriatic Metals Jersey Limited, as it cast doubt on Adriatic Metals Jersey Limited's ability to repay the balance in the future. A judgement was made to recognise a full impairment of $3,973,286 against the receivable balance.

During the year ended 31 December 2022, impairment indicators were noted in relation to the Raska Project, see note 8 to the Consolidated Finance Statements for further information. This resulted in an impairment of $22,177,477 against the investment in Ras Metals d.o.o., down to a carrying amount of $8,500,000 on the basis that the recoverable amount of the investment value is equal to the fair value less cost of disposal of the exploration and evaluation asset in line with the requirements of IAS 36.

No further indicators of impairment or reversal of previous impairment have been identified in the year to 31 December 2023.

The list of subsidiaries of the Parent Company is presented in note 3A to the notes to the consolidated financial statements.

J. Equity

The balances and movements in share capital, share premium, merger reserve, share-based payment reserve and warrants reserve are as detailed in note 13 to the Group consolidated financial statements.

K. Related party disclosures

The Parent Company's related parties include key management personnel, companies which have directors in common and its subsidiaries.

Ownership of subsidiaries is disclosed in note 3A of the Group consolidated financial statements. Transactions with its Directors and key management personnel and transactions with companies which have directors in common during the year have been disclosed in notes 20 and 21 to the Group consolidated financial statements.

L. 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 11 to the Group consolidated financial statements. There are no differences compared with the Parent Company's transactions other than as stated in note o below.

M. Right-of-use asset

Under IFRS 16, the Parent Company's registered office has been recognised as a right-of-use asset and the carrying amounts of right-of-use assets and the movements during the year are set out below:

(in USD)	Land & buildings
31 December 2021	**283,169**
Depreciation	(33,472)
31 December 2022	**249,697**
Depreciation	(33,734)
31 December 2023	**215,963**

N. Lease liabilities

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

(in USD)	
31 December 2021	**316,224**
Interest expense	21,369
Payments	(50,169)
31 December 2022	**287,424**
Interest expense	19,187
Payments	(50,705)
31 December 2023	**255,906**

Of this amount, $49,239 is recognised as a current liability (31 December 2022: $48,889) and the remainder $206,667 is shown within non-current liabilities (31 December 2022: $238,535).

Borrowings and derivative liability

The movements in the QRC convertible debt and its embedded derivative liability are as detailed in notes 6 a) to 6 c) to the Group consolidated financial statements.

The Orion Senior Secured Debt referred to in note 6b to the consolidated financial statements is held in Jersey based Group subsidiary, Adriatic Metals Trading and Finance Limited, and is therefore not included in the Parent Company Financial Statements.

O. Commitments

Commitments relating to the Parent Company have been disclosed in note 23 to the Group consolidated financial statements.

The Parent Company has provided a Letter of Support to its subsidiaries Adriatic Metals (UK) Ltd and Adriatic Metals Holdings BIH Limited ("BIH"), confirming that it does not intend to recall intragroup payables should they not have the financial capability to settle them. The Parent Company will continue to support both in meeting its liabilities as they fall due, for a period of not less than 12 months from the date of signing of these financial statements.

P. Subsequent events

Subsequent events relating to the Parent Company have been disclosed in note 25 to the Group consolidated financial statements.

Additional ASX information (unaudited)

The Company's corporate governance statement for the year ended 31 December 2022 is available on the Company's website at https://www.adriaticmetals.com/downloads/corp-governance-files-/adt-2020-06-05-cgp-v03.pdf ("Corporate Governance Manual").

This statement has been approved by the Company's Board of Directors and is current as at 20 March 2024. To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (4th Edition) as published by the ASX Corporate Governance Council (Principles and Recommendations).

The Company is not established in Australia but it is subject in its home jurisdiction to an equivalent law to sections 299 and 299A of the Corporations Act requiring the preparation of a directors' report that includes a review of operations and activities for the reporting period which is included in the main body of this Annual Report.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Adriatic Metals PLC is required to disclose the extent to which it has followed the Principles of 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 Company. 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 securityholders 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 Joint Company Secretaries report directly to the Board through the Chairman and are accessible to all directors.
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 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. The Board set formal diversity objectives for 2021 onwards which are included as a KPI in the Company's Short Term Incentive Plan in both 2023 and 2024. Further detail on the Diversity Policy is included in the Strategic Report of the Directors.

	Principles and recommendations	Comment
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 November and December 2022. The Company's Corporate Governance Manual includes a section on performance evaluation practices adopted by the Company.
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 monitors the Board and the Board monitors 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 January 2024.

	Principles and recommendations	Comment
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 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) 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's Corporate Governance Manual includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee. The Company has established a formal Remuneration & Nomination committee. Refer to the Company's Annual Report for further details regarding the Remuneration & Nomination committee.
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 is set out below. 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. Additionally, external consultants may be brought it with specialist knowledge to complement the board's matrix of skills in the event that a deficiency were to exist in required areas.
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.

Additional ASX information (unaudited) - Continued

	Principles and recommendations	Comment
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.	Mr. Rawlinson, who was the Chairman through the reporting year, is 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 Secretaries 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 Manual 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 & Risk Committee. Refer to the Company's Annual Report for further details regarding the Audit & Risk Committee.
4.2	The board of a listed entity should, before it approve' the entity's financial statements for a financial period, receive from its 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 its external auditors attend its AGM and are available to answer questions from security holders relevant to the audit.

	Principles and recommendations	Comment
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. New and substantive investor or analyst presentations materials are released on the ASX Market Announcements Platform ahead of presentation. See Schedule 7 of the Corporate Governance Manual for further details.
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.
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.

	Principles and recommendations	Comment
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: (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) 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 & Risk Committee. The Company's Corporate Governance Plan includes an Audit & Risk Committee Charter, which discloses the specific responsibilities of the committee. Refer to the Company's Annual Report for further details regarding the Audit & 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 Manual 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 & Risk Committee, this was updated in the current reporting period. Where appropriate, the Audit & 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. Procedures are in place to ensure the Board is informed of any material breaches of the Corporate Code of Conduct.

	Principles and recommendations	Comment
7.	**Recognise and manage risk - continued**	
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 & 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.
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, in particular the Principal Risks and Uncertainties section. . Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.

	Principles and recommendations	Comment
8.	**Remunerate fairly and responsibly**	
8.1	The board of a listed entity should: (a) have a Remuneration & Nomination 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) 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 & Nomination Committee. The Company's Corporate Governance Plan includes a Remuneration & Nomination Committee Charter, which discloses the specific responsibilities of the Remuneration Committee. Refer to the Company's Annual Report for further details regarding the Remuneration & Nomination 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 Remuneration & Nomination 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.	The Company does not have formal policy on whether participants in the equity-based remuneration scheme are permitted to enter into transactions which limit the economic risk of participating in the scheme. However, no such transactions have been entered into by scheme participants and such transactions may only be enter into with the prior approval of the Company as noted in Schedule 4 Remuneration Committee Charter of the Corporate Governance Manual.

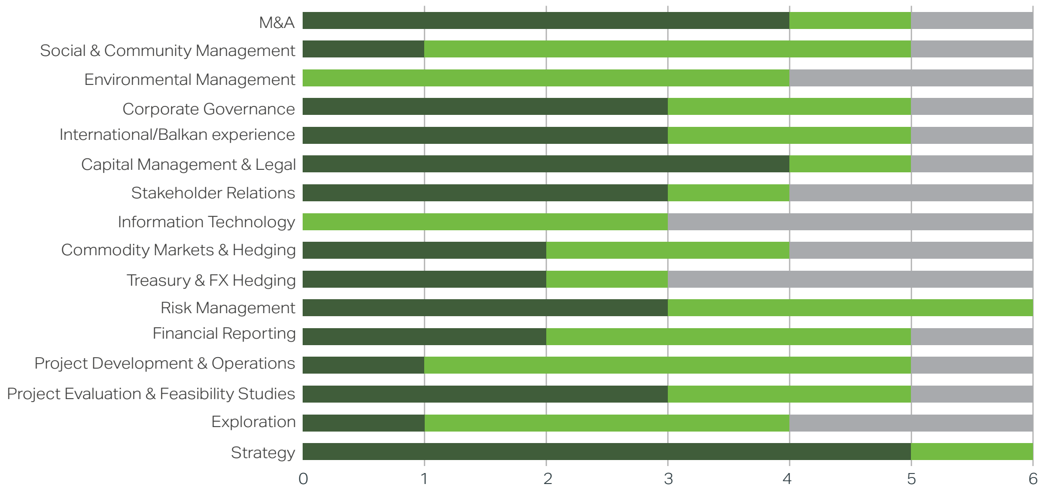
BOARD SKILLS MATRIX

Michael Rawlinson	Peter Bilbe	Sandra Bates
B. Economics. Master of Science	B. Engineering Mining	B.Com & LLB
Investment banking	Mining Engineer	Corporate Law
Resources	Gold, Base Metals	Corporate Finance
Mining Finance	Operational experience	M&A
NED – LSE, ASX	NED - ASX	Resources focus
		NED – ASX, LSE, AIM

Paul Cronin - CEO	Sanela Karic	Julian Barnes
B.Com & MBA	LLB	BSC (Hons), PhD
Resource Finance	Bosnian Law	Geologist
CEO experience	Corporate affairs	Exploration & development
M&A	M&A	Balkan experience
Exec & NED ASX, LSE, TSX	Human Resources	Project generation & DD
	NED – LSE	NED – TSX, LSE, ASX

As part of the board's performance evaluation and within the remit of the Nomination Committee, the Adriatic board undertook a skills self assessment matrix review. The skills categories chosen were all discussed and noted would be required as Adriatic moves from its development phase into a construction phase and ultimately production/steady state. The outcome of the self assessment was as follows:

Adriatic Board Skills Matrix Self Assessment Dec-23



- Expert - Deep knowledge / formal qualification or experience over many years
- Moderate – Moderate skills / experience – knowledgeable but not highly skilled
- Aware - Some knowledge and can follow a discussion

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 as follows at 20 March 2024, being the latest practical date for inclusion in this Annual Report:

Rank	Name	Number of ordinary shares	Percentage of issued share capital
1	CITICORP NOMINEES PTY LIMITED	74,670,089	24.38%
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	37,974,347	12.40%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,183,042	7.90%
4	BNP PARIBAS NOMS PTY LTD	23,633,083	7.72%
5	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	19,790,248	6.46%
6	MR MILOS BOSNJAKOVIC	12,000,000	3.92%
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <GSCO CUSTOMERS A/C>	10,364,559	3.38%
8	GLAMOUR DIVISION PTY LTD <HAMMER A/C>	6,501,613	2.12%
9	MORGAN STANLEY CLIENT SECURITIES NOMINEES LIMITED <SEG>	6,376,445	2.08%
10	EUROCLEAR NOMINEES LIMITED <EOC01>	5,580,455	1.82%
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,501,837	1.80%
12	BNY (OCS) NOMINEES LIMITED <586389>	4,389,940	1.43%
13	MR ERIC DE MORI	4,000,000	1.31%
14	BNY (OCS) NOMINEES LIMITED <703632>	3,799,393	1.24%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,031,165	0.99%
16	NINCRO PTY LTD <NINCRO ONE A/C>	3,000,000	0.98%
17	MR ALBERTO LAVANDEIRA ADAN	2,666,664	0.87%
18	NORTRUST NOMINEES LIMITED	2,452,856	0.80%
19	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,154,296	0.70%
20	INTERACTIVE BROKERS LLC <IBLLC2>	1,987,824	0.65%
Totals: Top 20 holders		254,057,856	82.97%
Total Remaining Holders Balance		**52,164,189**	**17.03%**

At 20 March 2024 the Directors are aware of three shareholders who held a substantial shareholding within the meaning of the Australian Corporations Act as outlined in the top 20 listing above. 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 AT 20 MARCH 2024

Range	Number of shareholders	Number of ordinary shares	Percentage of issued share capital
1 - 1,000	1,011	426,049	0.14%
1,001 - 5,000	700	1,852,076	0.60%
5,001 - 10,000	247	1,902,419	0.62%
10,001 - 100,000	334	10,459,310	3.42%
100,001 Over	105	291,582,191	95.22%
Total	**2,397**	**306,222,045**	**100.00%**

UNMARKETABLE PARCEL

	Minimum Parcel Size Shares	Number of shareholders	Total Shares
ASX Minimum trade parcel AUD$500.00 parcel at AUD$3.74 per share	134	104	1,981

SUBSTANTIAL OPTION AND PERFORMANCE RIGHTS HOLDERS

Total number of options and performance rights as at 22 March 2024 as follows:

Instrument	Securities in issue	Number of security holders
Share Options	24,900	1
Performance Rights	1,868,670	21
Total	**1,893,570**	**22**

RESTRICTED SECURITIES

There were no restricted securities or securities subject to voluntary escrow at 31 December 2023.

TENEMENT HOLDINGS

The Company's tenements at 21 March 2024 are set out in the table below. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o.. The Company has an option agreement to acquire 100% ownership of Deep Research d.o.o. but has no equity interest in that entity at present.

	Concession document	Registration number	Licence holder	Concession name	Area (km^2)	Date granted	Expiry date
BOSNIA AND HERZEGOVINA	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-13	12-Mar-38
				Veovaca 2	0.91	12-Mar-13	12-Mar-38
				Rupice-Jurasevac, Brestic	0.83	12-Mar-13	12-Mar-38
	Annex 3 & 6 Area	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	12-Mar-33
	Extension			Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-18	12-Mar-33
	Annex 5 – Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice- Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droskovac - Brezik	2.88	3-Dec-20	3-Dec-50
	Extension			Borovica – Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Concession Agreement	No: 04-14-5359-3/22	Eastern Mining d.o.o.	Saski Do	1.28	19-Jul-22	19-Jul-25
SERBIA	Exploration Licence	310-02-1721/2018-02	Adriatic Metals d.o.o.	Kizevak	1.84	3-Oct-19	29-May-26
	Exploration Licence	310-02-1722/2018-02	Adriatic Metals d.o.o.	Sastavci	1.44	7-Oct-19	29-May-26
	Exploration Licence	310-02-1114/2015-02	Adriatic Metals d.o.o.	Kremice	8.54	21-Apr-16	07-Jul-25
	Exploration Licence	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raska	81.39	28-Dec-15	24-Oct-24*
	Exploration Licence	310-02-01670/2021-02	Adriatic Metals d.o.o.	Kaznovice	37.1	11-Oct-21	22-Nov-24

* Possible to get up to two year's retention right, but only for preparation of reserves elaborate and preparation of the documents for exploitation field license which excludes any geological exploration work.

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.

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.

All substantive resolutions at a meeting of security holders are decided by poll rather than by 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.

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