22 April 2024

ABOUT ADRIATIC METALS (ASX:ADT, LSE:ADT1, OTCQX:ADMLF)

Adriatic Metals Plc is focused on the development of the 100%-owned, Vares high-grade silver project in Bosnia & Herzegovina, and exploration at the Raska base & precious metals project in Serbia.

DIRECTORS

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NON-EXECUTIVE CHAIRMAN

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NON-EXECUTIVE DIRECTOR

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NON-EXECUTIVE DIRECTOR

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CORPORATE UPDATE

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) is pleased to announce an update on recent corporate activity.

Transition to Mining Operator at Rupice Mine

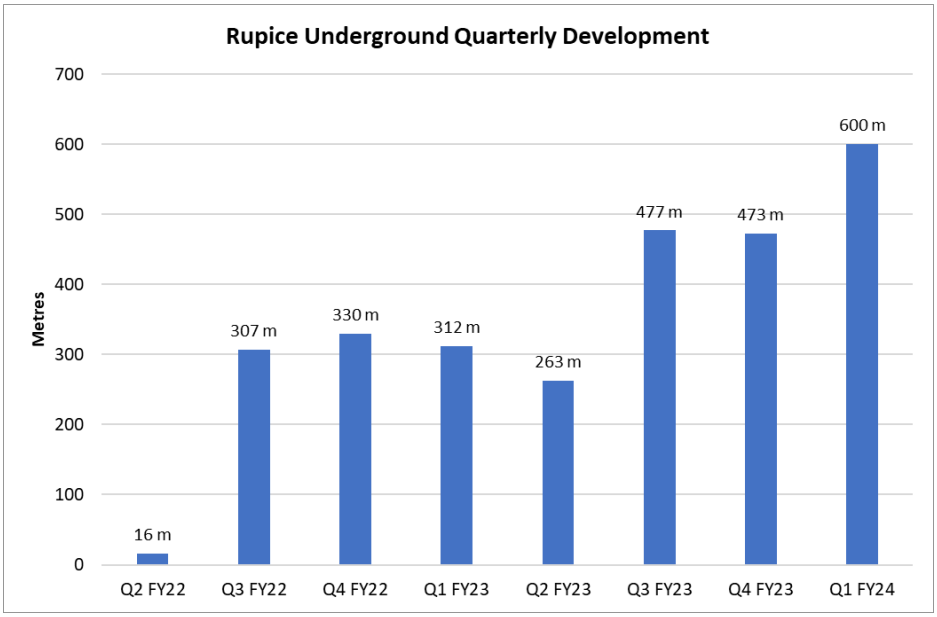
In June 2022, Adriatic and Nova Mining and Construction d.o.o, ('Nova') entered into a Mining Services Contract, which was focused on the development of the Rupice Mine. As announced in June 2023, Adriatic took the decision to implement an Accelerated Development Action Plan (ADAP) and onboarded experienced international operators in order to significantly improve productivity levels on the basis that the development rate was not in line with contractual expectations.

Following the success of the ADAP, Adriatic and Nova have agreed to terminate the Mining Services Contract and enter into a settlement and termination agreement effective on 20 April 2024. Accordingly, Adriatic has commenced the transition process to take over as the mining operator at Rupice Mine.

The ADAP has been overseen by the Adriatic management team and includes several key measures to improve underground development and productivity, as follows:

- New mining methodology introduced by the Adriatic Mining team experienced in this area – implementation of single unit bolt, mesh bore development cycle reducing the development fleet size by 60% and cycle times by 65%. Whilst used internationally, the methodology is a European first and due to its success, a third drilling jumbo is currently being commissioned.
- Recruitment of several staff with advanced health and safety skills and rapid mine development experience, providing one-on-one training to national staff to accelerate the necessary transfer of skills.
- Transition from 8 hour to 12 hour shifts, which has increased operational time and subsequent productivity.
- Improved understanding of underground rock mass conditions and structural geology through additional geotechnical drilling and mapping.
- Improved procurement practices including building longer term regional partnerships which the Company believes will realise reduced mining costs over time.
- A greater emphasis on health and safety measures and improved risk management.
- A focus on environmental protection via an enhanced water management approach.

Since implementing the Accelerated Development Action Plan in June 2023, underground quarterly development has increased 71% despite poor ground conditions persisting. Q1 2024 represented a 98% improvement in underground development and in March 2024 underground development was 250m - a project development monthly record. Further improvements are expected in the coming quarter with the commissioning of the third jumbo.



Development metres by quarter

Adriatic and Nova have agreed constructive transition arrangements to ensure a seamless handover of operations. This will be undertaken while Adriatic obtains an operating licence, which is currently held by Nova as mining contractor. The transition is envisaged to take approximately 60 days to complete.

The termination will involve payments to Nova totalling approximately US$11 million, associated with the transfer of underground and surface equipment, spares and consumables inventory, leases, various infrastructure components and key personnel. The first payment to Nova is due shortly after signing of the termination agreement, with the final payment due once Adriatic has received the operating licence. Adriatic will also assume certain financing liabilities amounting to approximately US$6.5 million for Sandvik underground mining equipment to be acquired by Adriatic.

Adriatic is confident that the transition to mining operator will result in enhanced productivity, operational efficiencies, cost reductions and improvements in health, safety and environmental standards. Additionally, noticeable improvements in procurement are anticipated as Adriatic will focus on obtaining better value inputs from a wider range of local and international suppliers.

US$25 million Additional Loan Facility from Orion Mine Finance

Adriatic has agreed an additional short-term loan facility with Orion Mine Finance ('Orion') of US$25 million. This is in addition to the original US$120 million Senior Secured debt facility provided by Orion in January 2022, which has been fully drawn down, and subject to the same drawdown conditions and interest rate.

These funds will be available in a single tranche during the period 1 September 2024 - 31 December 2024 as required for project-related purposes.

The additional tranche must be repaid within six months of utilisation in cash or, at Orion's option, in silver credits. The amount of any silver credits used to repay the additional tranche shall be calculated by reference to a market price discounted by 2%.

The first quarterly debt repayment to Orion is scheduled on 31 December 2024, with 10 quarterly repayments of principal, accrued interest and fees in even instalments thereafter.

The final capital cost for the Project remains at US$188.9 million, including over US$22.7 million of scope changes resulting from design enhancements, improved water management facilities and additional mobile fleet.

Paul Cronin, Adriatic's Managing Director and CEO, commented:

"I am pleased with the progress made by our leadership team since the initiation of our Accelerated Development Action Plan in June 2023. It is the opportune time for us to transition to mining owner-operator and I would like to thank Nova for their support over the last few years. We have a highly experienced mining team at Adriatic dedicated to driving development, as demonstrated by achieving a record-breaking 250 meters of underground progress in March this year.

The Vares Project is expected to be one of the lowest-cost silver producers globally. Our focus remains on driving down mining costs further through enhanced operational efficiencies, rigorous cost management and optimised procurement processes.

Once again, I would like to extend my gratitude to Orion for their long term ongoing financial support as we accelerate the Vares Project to nameplate capacity in Q4 2024."

-ends-

MARKET ABUSE REGULATION DISCLOSURE

The information contained within this announcement is deemed by the Company (LEI: 549300OHAH2GL1DP0L61) to constitute inside information for the purpose of Article 7 of EU Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) ACT 2018, as amended. The person responsible for arranging and authorising the release of this announcement on behalf of the Company is Paul Cronin, Managing Director and CEO.

Authorised by Paul Cronin, Managing Director & CEO

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Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) is a precious and base metals developer that is advancing the world-class Vares Silver Project in Bosnia & Herzegovina, as well as the Raska Zinc-Silver Project in Serbia. The Vares Silver Project is fully funded to production, which took place in February 2024. Concurrent with ongoing construction activities, the Company continues to explore across its highly prospective 44km^2 concession package.