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## PROJECT UPDATE



**Adriatic Metals**  
Eastern Mining

**Leaflet contains general information about  
the Eastern Mining Project at Veovaca  
and Rupice deposits,  
both current and planned activities**

**February 2021**

## Preliminary Feasibility Study (PFS)

Adriatic Metals Plc is pleased to announce the outcome of a Preliminary Feasibility Study (PFS) for the Vares Silver Project in Bosnia and Herzegovina, which has been completed by a number of international consultants and led by Ausenco.

The PFS (Pre-Feasibility Study) is designed to give an overview on a mining project's technical and environmental requirements, logistics, capital requirements, key challenges and other information deemed important to the decision-making process. The capital and operating cost estimates were compiled by Ausenco with inputs from various engineering consultants, and Eastern Mining for the process plant and infrastructure and Axe Valley Mining Consultants Ltd for the mining costs.

The economic outcome from the PFS is that the project is very good and so work should proceed on the final level of study. This is called the Definitive Feasibility Study (DFS) and is what Eastern Mining and Adriatic Metals are now starting and aim to complete by Q2 2021.

## Vares Silver Project

The Vares Silver Project consists of two deposits, Rupice and Veovaca, located approximately 12 km apart and centred around the town of Vares.

The Ore Reserves for the Vares Silver Project deposits have been estimated using the JORC Code<sup>1</sup> and are part of the Mineral Resource. The selected mining method for the Rupice deposit is underground mining, whilst the Veovaca deposit is amenable to conventional open pit mining methods as previously undertaken.

## Mining

The Rupice underground mine operating model assumes the following working calendar and shift arrangements:

- 365 Working days per year
- 2 Working shifts per day
- 11 hours Underground shift duration
- 7.8 hrs Effective hours per shift

The processing plant would operate on a similar shift arrangement to the mining operations. Estimated Rupice labour requirements are in the range of 150-200 employees based on different set of skills, such as operators, service crews, maintenance crews and mine technical specialists and supervisors. The estimated lifespan of the mine is 14 years, and the ore reserves are 11.12Mt. Transport of the ore and waste to the surface is proposed to be achieved by the loading of broken rock into 50-tonne class diesel haul trucks and hauling via the main transport drives, ramps and declines to surface. Subject to financing and issued permits, development of the underground mine is planned to start in the second half of 2021 with first ore being sent to the processing plant towards the end of 2022.

At Veovaca, mining will be by conventional open pit

methods, including Drill and Blast, followed by Load and Haul. The total contractor manpower at Veovaca will be in range of 100-150 full time employees. Ore mining is proposed to start in December 2031 and would ramp up the Veovaca ore supply from April 2032 and reach steady state production in November 2032.

The proposed mining schedule has assumed that the operations work 24/7 365 days in a year, less 15 days for unscheduled delays such as high rainfall / snowfall events which may cause mining operations to be temporarily suspended.

## Processing

A new processing facility will be built at the old Veovaca processing plant site. It will be capable of processing 800,000 tonnes per year of ore from the Rupice underground and later the Veovaca open pit. The process plant will be enclosed in large clad buildings to reduce noise and dust and the processing technology will include wet grinding of the ore to a fine powder and then separation of metal concentrates and barite from the ore by a series of "flotation" cells. Any material that is not processed into a metal concentrate or barite is waste, referred to as tailings. During the underground mining phase, most of the tailings will be returned to Rupice and used as support underground. During the processing of ore from the Veovaca open pit, the tailings will be stacked in a specially prepared facility close to the process plant.

The metal concentrates and barite will be loaded into containers at the Veovaca plant site and taken by road to the station at Vares for loading on trains to Ploče and subsequent shipping to customers.

## Infrastructure

National electricity grid powerlines run to the open pit and abandoned processing facility at Veovaca, and thereafter to nearby villages. This line will be inspected and upgraded as necessary. A new powerline will be provided to deliver electricity to Rupice by connecting into an existing nearby powerline.

The construction of approximately 2.5 km of 35 kV overhead line will be required to link into an existing 132 KV line for distribution to the Rupice site location. The new 35 kV overhead distribution line will be constructed by the utility company to deliver the expected load of 8.9 MW within the Rupice site area.

A rail link exists from Vares to the port of Ploče in Croatia and this will be repaired and used to export the production from the Vares Silver Project to international customers.

Potable water is supplied to the Veovaca plant site and all surrounding villages through a reticulation network maintained by JKP Vares d.o.o., a public company owned by the Vares municipality. Water supply studies for Rupice are ongoing but the supply is likely to be provided from surface water sources close to the mine, and groundwater from dewatering.

When necessary, the unsealed public road from the village of Dastansko will be diverted to run further north of the Veovaca deposit as the existing unsealed public road crosses the proposed pit area.

The proposed haulage route for the purposes of transporting material from the Rupice mine to the processing facility and the subsequent transport of dewatered tailings back to the underground mine uses a proposed route of 28.1 km is comprised of three main areas:

- 7 kms of new road that requires construction and approval and will limit traffic to mine vehicles only;
- 12 kms of existing public routes that may require upgrade and traffic control and state approval for the use of public and mine operated vehicles; and
- 9 kms of existing public routes of lower standard that will require upgrade and traffic control and state approval for the use of public and mine operated vehicles.

## Environmental and Social

The proposed Veovaca and Rupice mines and processing facilities are currently the subject of both local permitting and working towards adherence to the EBRD Performance Requirements (2019) and other international standards (Equator Principles). The Veovaca Project has obtained the required environmental permits and at Rupice, a public hearing for the environmental assessment was carried out in August 2020, which is a precursor to the grant of the license. Environmental Scoping was carried out in Q3 and Q4 2019 and baseline studies for an ESIA were commenced in May 2020, utilizing local consultants and contractors where possible. Studies are being undertaken regarding air quality, noise, soils, biodiversity, hydrology, hydrogeology, geochemistry, landscape and visual impact, social aspects, traffic, and archaeology and cultural heritage, across the defined Project area of influence. To ensure data is seasonally representative, especially for water studies, air quality and biodiversity, the baseline programme will continue until the end of April 2021.

## Summary of the current permitting status

### Veovaca Demolition Permit

- Decision on the Preliminary Water Permit was approved on 11th July 2019
- The Environmental Permit was approved on 26th November 2019
- The Urban Planning Permit for removal of the plant's old structure was issued on 23rd October 2020
- The Urban Planning Permit for open pit exploitation and building a new processing plant was issued on 17th November 2020

### Exploitation Permit

- Three additional Water Permits for exploitation were issued in November 2019

- The Environmental Permit was issued on 20th May 2020
- The Urban Planning Permit was submitted on 15th April 2020 and was issued in November 2020
- The Exploitation Permit was issued in January 2021

The Company submitted applications for obtaining the Environmental Permit for the Rupice underground mine and its required infrastructure on 10th April 2020. Preliminary Water Permits were issued. It is expected that during February the Environmental Permit will be issued, after which the Urban Planning Permit will be immediately submitted for approval, after which the Exploitation Permit will be applied for in 2021.

While the ESIA process will predict impacts and ways of eliminating or reducing these, management and monitoring of all environmental aspects will continue during construction and operations. We will be working with our contractors and suppliers, as well as increasing our in-house capabilities, to ensure that the required management measures are implemented and are effective.

## Closure and Rehabilitation

Under current proposals, the historic processing plant site at Veovaca will be demolished and redeveloped for a new processing plant which will be used to process ore from Rupice and then Veovaca. There are no current plans to use the historic TMF at Veovaca site. Instead, it is intended that the bulk of the tailings from the new plant will be dewatered and returned to Rupice to be repulped and disposed of underground as Paste Aggregate Fill (PAF). Excess tailings will be disposed of in an area to the south of the plant site in a new facility which will also contain waste rock from the open pit. The closure plan that has been developed is for the end of life of the planned operations at both Rupice and Veovaca.

