CSA Global
Mining Industry Consultants

Independent Technical Assessment Report

Adriatic Metals Limited
Vares Project

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Disclaimers

Purpose of this document

This Report was prepared exclusively for Adriatic Metals Limited ("the Client") by CSA Global Pty Ltd ("CSA Global"). The quality of information, conclusions, and estimates contained in this Report are consistent with the level of the work carried out by CSA Global to date on the assignment, in accordance with the assignment specification agreed between CSA Global and the Client.

Notice to third parties

CSA Global has prepared this Report having regard to the particular needs and interests of our client, and in accordance with their instructions. This Report is not designed for any other person's particular needs or interests. Third party needs, and interests may be distinctly different to the Client's needs and interests, and the Report may not be sufficient nor fit or appropriate for the purpose of the third party.

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CSA Global has created this Report using data and information provided by or on behalf of the Client [and the client's agents and contractors]. Unless specifically stated otherwise, CSA Global has not independently verified that all data and information is reliable or accurate. CSA Global accepts no liability for the accuracy or completeness of that data and information, even if that data and information has been incorporated into or relied upon in creating this Report.

Results are estimates and subject to change

The interpretations and conclusions reached in this Report are based on current scientific understanding and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty.

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond CSA Global's control and that CSA Global cannot anticipate. These factors include, but are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

Executive Summary

Adriatic Metals Limited (Adriatic) commissioned CSA Global Pty Ltd (CSA Global) to prepare an Independent Technical Assessment Report (ITAR) for the Vares Polymetallic Project located in the central part of the Federation of Bosnia and Herzegovina (BiH). The Assessment is required to be reported in accordance with Australian Securities Exchange (ASX) Listing Rules and the JORC Code[1].

The project area is located approximately 50 km north of the capital, Sarajevo, in the district of Vares. It was first exploited by locals in medieval times and sporadically thereafter. Modern exploration commenced with the parastatal company Energoinvest, a company incorporated in Belgrade under the former Socialist Federal Republic of Yugoslavia. Energoinvest began exploration activities in the late 1940s with peak activities during the period 1960s to the 1980s. Exploration included drilling and limited underground workings. The Veovaca deposit was mined as an open pit operation from 1983 to 1987. By the end of the 1980s, all the mines in and around Vares closed for reason of political instability.

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

Adriatic has compiled historical exploration activities for the Concession and surrounding areas and entered this data into a database. Exploration by Adriatic has focused on activities at the Rupice and Veovaca areas within the Concession, including geophysical programs (induced polarisation) and drilling of the historical resource at Veovaca and the advanced Rupice project. Limited exploration activities have been completed in the area immediately surrounding the Rupice prospect.

In CSA Global's opinion, the Vares Project has good potential for further exploration success with two key projects, Veovaca and Rupice. The Mineral Resource estimated at Veovaca has potential for extension and additional economic studies to increase the level of confidence in the estimates, and to progress towards the eventual declaration of Ore Reserves.

The approach to exploration has been successful to date and CSA Global also recommends the following:

- Advance Rupice as a high priority and progress geological and mining studies.
- Refine the ranking and prioritisation of the prospect table with a higher priority on prospects within the current granted Concession:
    - Consider an exploration Concession application of the Borovica mineralised trend, highlighted by several chargeable anomalies
    - Further evaluate the corridor between Rupice and Jurasevac for similar plunging zones which may have a small plan view "footprint".
- Complete further physical property test work and lithogeochemical analysis to fully understand the properties of the mineralisation to assist with further exploration:
    - Consider possible airborne surveys should an apparent physical difference be determined (i.e. magnetic susceptibility or radiometric methods could rapidly screen the prospective stratigraphy if the mineralisation had an appropriate signature).
- Continue to develop and refine the geological model with reference to the genetic origin of the mineralisation (e.g. by way of a PhD or Masters study).

[1] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

- Further studies of the controlling structures of the mineralisation in order to explore for similar settings within the Triassic stratigraphy

CSA Global recommends the following actions are completed to support further advancement of the Veovaca Mineral Resource estimate:

- Complete a preliminary pit optimisation study using all resource categories combined to estimate the following:
  - Economic potential of the project
  - Amount of Inferred material that will occur within the limits of optimal pit shells
  - Requirements for further drilling to upgrade the resource categories.
- Conduct supplementary drilling:
  - For further resource definition (silver and gold) and classification upgrade
  - To provide sufficient rock quality data (RQD) for pit or underground optimisation studies
  - For additional metallurgical studies.
- Conduct final pit optimisation study when the economic potential of the project is established, and supplementary drilling is complete.
- Maintain quality assurance/quality control (QAQC) procedures to ensure high-quality data is available for subsequent resource upgrades.

The maiden Veovaca Mineral Resource estimate can be summarised in Table 1 and Table 2 (see Appendix 4 for JORC Table 1 disclosure), please note that the tonnage estimates within the areas sampled for gold and silver have not been combined with the areas where no sampling had occurred for gold and silver, to avoid presenting a possibly misleading representation of the metal currently estimated. Figure 1 illustrates the areas where gold and silver were sampled (green).

Table 1: Veovaca open cut Mineral Resources as at 1 January 2018 (within the area sampled for Au and Ag)

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Pb (%)	Zn (%)	$BaSO_4$ (%)	Au (g/t)	Ag (g/t)	Pb (kt)	Zn (kt)	$BaSO_4$ (kt)	Au (koz)	Ag (koz)
Indicated	2.6	1.1	1.9	18	0.09	58	30	51	478	8	4,881
Inferred	1.0	0.3	1.3	5	0.07	16	3	13	55	2	501

Table 2: Veovaca open cut Mineral Resources as at 1 January 2018 (outside the area sampled for Au and Ag)

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Pb (%)	Zn (%)	$BaSO_4$ (%)	Au (g/t)	Ag (g/t)	Pb (kt)	Zn (kt)	$BaSO_4$ (kt)	Au (koz)	Ag (koz)
Indicated	2.0	0.9	1.3	15			17	26	304		
Inferred	1.6	0.5	1.0	7			8	16	110		

Notes:

1. *Mineral Resources are based on JORC Code definitions.*
2. *A cut-off grade of 0.5% zinc equivalent (ZnEq) has been applied.*
3. *ZnEq was calculated using conversion factors of 0.814467 for lead, 0.08413 for barite, 1.463388 for gold and 0.019969 for silver, and recoveries of 90% for all elements. Metal prices used were US$2,746/t for zinc, US$2,236/t for lead, US$240/t for barite, US$1,250/oz for gold and US$17/oz for silver.*
4. *Th assumed recovery of 90% was based on historical production records from the Veovaca open pit.*
5. *The applied formula was: ZnEq = Zn% * 90% + 0.814467 * Pb% * 90% + 0.087413 * BaSO4% * 90% + 1.463388 * Au(g/t) * 90% + 0.019969 * Ag(g/t) * 90%.*
6. *Following recognition of a correlation between specific mineral/elemental concentrations and measured SG, a bulk density was calculated for each model cell using regression formula BD = 2.718835 + BaSO4 * 0.01292 + Pb * 0.077334 + Zn * 0.022374.*
7. *Rows and columns may not add up exactly due to rounding.*

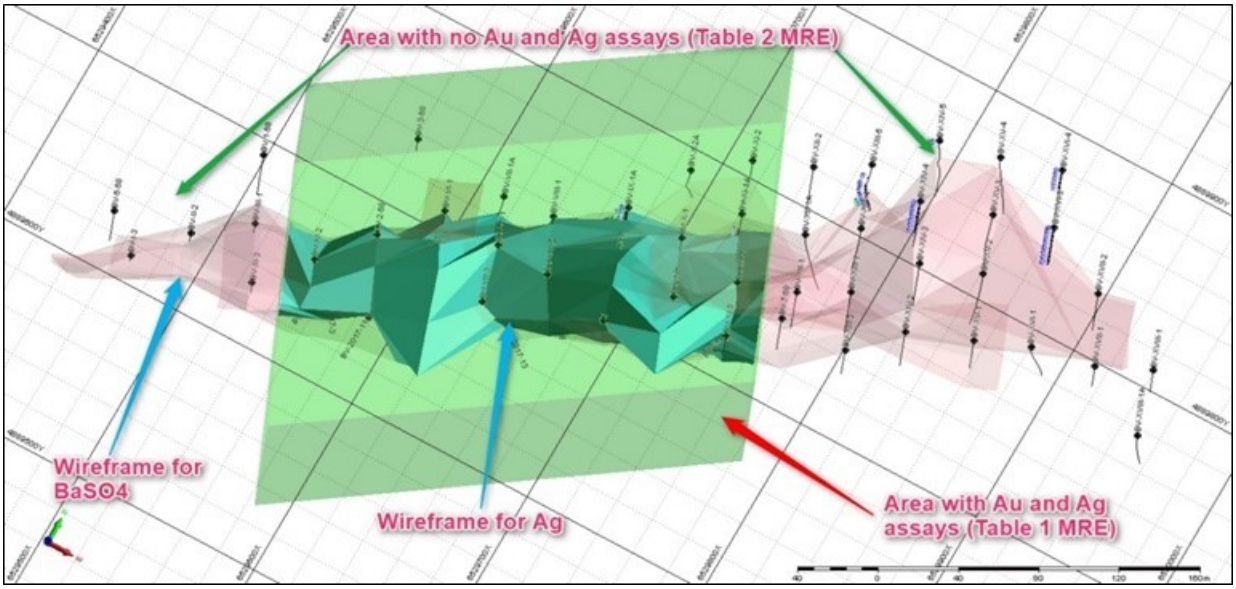

Figure 1: Reporting wireframes (the grid is MGI 1901/Balkans Zone 6)

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1 Introduction

1.1 Context, Scope and Terms of Reference

CSA Global Pty Ltd (CSA Global) was requested by Adriatic Metals Limited ("Adriatic" or the "Company") to prepare an Independent Technical Assessment Report (ITAR) for use in a prospectus to support an initial public offering (IPO) of shares 40 million fully CDIs on a 1:1 basis at an issue price of 20¢ per CDI to raise A$8 million) for Adriatic to enable a listing on the Australian Securities Exchange (ASX). The funds raised will be used for the purpose of exploration and evaluation of the Project areas.

This ITAR details the Vares Project for which Mineral Resources have been estimated at Veovaca, and the exploration potential of the Vares Project at Rupice, and from Smailova to Rupice.

The ITAR is subject to the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 ("VALMIN[2] Code"). In preparing this ITAR, CSA Global:

- Adhered to the VALMIN Code.
- Took due note of the rules and guidelines issued by such bodies as the Australian Securities and Investments Commission (ASIC) and the ASX, including ASIC Regulatory Guide 111 – Content of Expert Reports and ASIC Regulatory Guide 112 – Independence of Experts.
- Relied on the accuracy and completeness of the data provided to it by Adriatic, and that Adriatic made CSA Global aware of all material information in relation to the projects.
- Relied on Adriatic's representation that it will hold adequate security of tenure for exploration and assessment of the projects to proceed.
- Required that Adriatic provide an indemnity to the effect that Adriatic would compensate CSA Global in respect of preparing the Report against any and all losses, claims, damages and liabilities to which CSA Global or its Associates may become subject under any applicable law or otherwise arising from the preparation of the Report to the extent that such loss, claim, damage or liability is a direct result of Adriatic or any of its directors or officers knowingly providing CSA Global with any false or misleading information, or Adriatic, or its directors or officers knowingly withholding material information.
- Required an indemnity that Adriatic would compensate CSA Global for any liability relating to any consequential extension of workload through queries, questions, or public hearings arising from the Report.

1.2 Compliance with the VALMIN and JORC Codes

The Report has been prepared in accordance with the VALMIN Code, which is binding upon Members of the Australian Institute of Geoscientists (AIG) and the Australasian Institute of Mining and Metallurgy (AusIMM), the JORC[3] Code and the rules and guidelines issued by such bodies as ASIC and ASX that pertain to Technical and Independent Expert Reports.

[2] Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (The VALMIN Code), 2015 Edition, prepared by the VALMIN Committee of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. <http://www.valmin.org>

[3] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. (The JORC Code), 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC). <http://www.jorc.org>

1.3 Principal Sources of Information and Reliance on Other Experts

CSA Global has based its review of the Project on information made available to the principal authors by Adriatic along with technical reports prepared by consultants, government agencies and previous tenements holders, and other relevant published and unpublished data. CSA Global has also relied upon discussions with Adriatic's management for information contained within this assessment. This report has been based upon information available up to and including 9 February 2018.

CSA Global has endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy, and completeness of the technical data upon which this report is based. Unless otherwise stated, information and data contained in this technical report or used in its preparation has been provided by Adriatic in the form of documentation.

Adriatic was provided a final draft of this report and requested to identify any material errors or omissions prior to its lodgement.

Descriptions of the mineral tenure; tenure agreements, encumbrances and environmental liabilities were provided to CSA Global by Adriatic or its technical consultants. Adriatic has warranted to CSA Global that the information provided for preparation of this report correctly represents all material information relevant to the Project. Full details on the tenements is provided in the Independent Solicitor's Report elsewhere in the prospectus.

1.4 Authors of the Report

CSA Global is a privately owned, mining industry consulting company headquartered in Perth, Western Australia. CSA Global provides geological, resource, mining, management and corporate consulting services to the international resources sector and has done so for more than 30 years.

This ITAR has been prepared by a team of consultants sourced principally from CSA Global's Perth, Western Australia office. The individuals who have provided input to the ITAR have extensive experience in the mining industry and are members in good standing of appropriate professional institutions. The Consultant preparing this ITAR is a specialist in the field of geology and exploration.

The following individuals, by virtue of their education, experience and professional association, are considered Competent Persons, as defined in the JORC Code (2012), for this Report. The Competent Persons' individual areas of responsibility are presented below:

- **Coordinating author – Ms Ivy Chen** (Principal Consultant, CSA Global, Perth, Western Australia) is responsible for the entire report. Ms Chen is a corporate governance specialist, with 28 years' experience in mining and resource estimation. She served as the national geology and mining adviser for the ASIC from 2009 to 2015. Ms Chen's experience in the mining industry in Australia and China, as an operations and consulting geologist includes open pit and underground mines for gold, manganese and chromite, and as a consulting geologist she has conducted mineral project evaluation, strategy development and implementation, through to senior corporate management roles. Ms Chen joined the VALMIN Committee in 2015.
- **Contributing author – Mr Ian Stockton** (Principal Consultant – Geology, CSA Global, Perth, Western Australia) is responsible for the assessment of exploration completed and exploration potential. Mr Stockton is a geologist with over 25 years' experience in the mineral exploration industry ranging from early stage exploration activities, exploration management, strategy development through to mine development and operations. He has been directly involved in the discovery of several important ore deposits including the Nolans/Sarsfield gold deposits (Ravenswood, Queensland), CSA Cu mine extensions (Cobar, New South Wales), rejuvenation of the Mount Muro epithermal deposits (Indonesia) and the Saramacca gold deposit (Suriname). Mr Stockton's experience covers a diverse background of exploration settings having worked in the Tertiary epithermal deposits in Indonesia,

Cretaceous porphyry environment in Serbia, Paleoproterozoic orogenic gold deposits of Suriname, Siluro-Devonian intrusive related gold deposits in north Queensland and the Siluro-Devonian copper gold deposits in the Cobar sedimentary basin. Through this diverse experience he can provide integrated, mineral systems based geological models and targeting advice.

- **Contributing author – Dr Belinda van Lente** (Senior Resource Geologist, CSA Global UK) completed the field visit to Adriatic's assets in Bosnia and Herzegovina (BiH), and reviewed Adriatic's nominated laboratories and laboratory procedures. Dr van Lente is a resource geologist with nine years of industry experience, in the consulting and production environment. Her experience includes Mineral Resource estimates and audits on various commodities, specialising in Archean and epithermal gold deposits in Mali, South Africa, Ghana, USA and Tanzania. Dr van Lente has a clear understanding of the methods, standards and procedures used in the estimation and declaration of Mineral Resource estimates with further experience covering areas of grade control, database management and quality assurance/quality control (QAQC).
- **Peer reviewer – Dr Travis Murphy** (Principal Geologist, CSA Global, Brisbane, Western Australia) is responsible for the entire report. Dr Murphy is a geologist with over 22 years' experience across multiple sectors of the resource industry; including exploration, mine operations, planning and production as well as technical research roles. Dr Murphy has proven leadership skills and successes in exploration (lead team to discovery), mining (application of geoscience to mining and minerals processing), and applied research (project lead in significant DNRM-GSQ funded Cloncurry Cu-Au prospectivity analysis). He specialises in structural geology, exploration and mine geology, and targeted geometallurgy/deposit-knowledge.

1.5 Independence

Neither CSA Global, nor the authors of this report, has or has had previously, any material interest in Adriatic or the mineral properties in which Adriatic has an interest. CSA Global's relationship with Adriatic is solely one of professional association between client and independent consultant.

CSA Global is an independent geological consultancy. Fees are being charged to Adriatic at a commercial rate for the preparation of this report, the payment of which is not contingent upon the conclusions of the Report. The fee for the preparation of this report is approximately A$46,000.

No member or employee of CSA Global is, or is intended to be, a director, officer or other direct employee of Adriatic. No member or employee of CSA Global has, or has had, any shareholding in Adriatic.

There is no formal agreement between CSA Global and Adriatic, as to Adriatic providing further work for CSA Global.

1.6 Declarations

1.6.1 Purpose of this Document

This report has been prepared by CSA Global at the request of, and for the sole benefit of Adriatic. Its purpose is to provide an ITAR of Adriatic's Vares Project in BiH.

The Report is to be included in its entirety or in summary form within a prospectus to be prepared by Adriatic in connection with an Initial Public Offering (IPO). It is not intended to serve any purpose beyond that stated and should not be relied upon for any other purpose.

The statements and opinions contained in this report are given in good faith and in the belief, that they are not false or misleading. The conclusions are based on the reference date of 9 February 2018 and could alter over time depending on exploration results, mineral prices and other relevant market factors.

1.6.2 Competent Person's Statement

The information in this report that relates to Technical Assessment of Exploration Targets, or Exploration Results is based on information compiled and conclusions derived by Mr Ian Stockton, a Competent Person who is a Fellow of the AIG, and a Member of the AusIMM. Mr Stockton is employed by CSA Global.

The information in this report that relates to Technical Assessment of Mineral Resources is based on information compiled and conclusions derived by Ms Ivy Chen, a Competent Person who is a Member of the AusIMM. Ms Chen is employed by CSA Global.

The information in this report that relates to Technical Assessment of the field visit and laboratories is based on information compiled and conclusions derived by Dr Belinda van Lente, a Member of the South African Council for Natural Scientific Professions, and a Member of the Geological Society of South Africa, qualifying Dr van Lente as a Recognised Overseas Professional in accordance with the requirements of the JORC Code. Dr van Lente is employed by CSA Global.

Mr Stockton, Ms Chen and Dr van Lente have sufficient experience that is relevant to the Technical Assessment of the Mineral Assets under consideration, the style of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a Practitioners as defined in the 2015 edition of the "Australasian Code for the public reporting of technical assessments and Valuations of Mineral Assets", and as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Stockton, Ms Chen and Dr van Lente consent to the inclusion in the Report of the matters based on their information in the form and context in which it appears.

1.6.3 Site Inspection

Dr Belinda van Lente, an employee of CSA Global, visited the SGS Geochem Services (SGS) laboratory and the ALS Laboratory Services (ALS) laboratory, both located in Bor, Serbia, on 12 January 2018. It is CSA Global's opinion that both the ALS and SGS facilities and equipment are in good working order, personnel are well trained and knowledgeable and best industry standards are observed for sample preparation (and analysis in the case of SGS).

Dr Belinda van Lente, an employee of CSA Global, visited the Veovaca and Rupice projects, located in BiH, over three days from 13 to 15 January 2018. CSA Global recognise the potential for lead and zinc, with associated barium, gold and silver mineralisation on the Veovaca and Rupice projects based on the data available and following the site inspection. The proposed activities of the Company's work program are considered appropriate for the next stage of target development and testing.

1.7 About this Report

This report describes the prospectivity of Adriatic's Vares Project and mineral assets located in BiH. The geology and mineralisation for each tenement or project area are discussed, as well as the exploration work completed, and the results obtained there from. Information relating to data and QAQC for the Mineral Resource estimate, is drawn from an unpublished internal Mineral Resource estimate completed by Mr Bob Annett (a consultant to Adriatic) and Mr Dmitry Pertel (a principal Consultant from CSA Global) in January 2018. An effort was made to summarise this body of work so as to contain the size and readability of the Report. No valuation has been requested or completed for the Project.

2 Vares Project

2.1 Location, Access and Infrastructure

The Vares Project is located near the mining town of Vares approximately 50 km north of the capital, Sarajevo, and about 50 minutes by car, via the Sarajevo–Tuzla freeway to Podlugovi, then a sealed road to Vares. The town of Vares is the administrative centre for the District (Figure 2 and Figure 3).

Figure 2: Location of BiH and the project area

2.2 Climate, Topography and Vegetation

2.2.1 Climate

The area has a continental climate partially affected by the generally mountainous terrain with cool summers and cold winters. Average annual temperature is 7°C with highest recorded temperatures of +30°C in the summer months of July–August, and lowest temperatures of -20°C in January. The average annual rainfall is 1,150 mm, with rain falling year-round as short heavy downpours. Snow is common throughout the winter months with falls of over 2 m, although rarely staying on the ground for long periods.

Figure 3: Vares town monument to mine workers

2.2.2 Infrastructure

The Concession is located in the Vares district of which Vares (Figure 3) is the administrative centre, providing services and supplies. The capital, Sarajevo, is 50 minutes away and the international airport is 40 minutes away. Access between Veovaca and Rupice projects is via 15 km of well-maintained sealed and unsealed roads.

2.2.3 Power

A national electricity grid is operated and maintained by the State company Electroprivreda doo. Powerlines run to the open pit and abandoned processing facility at Veovaca, and thereafter to nearby villages. Most of these lines deliver a 10 KVA service.

2.2.4 Water

Local water is supplied to all surrounding villages and is maintained by JKP Vares doo, a public company owned and operated by the Vares council.

2.3 Ownership and Tenure

Energoinvest, a parastatal exploration and mining company registered in Belgrade, commenced modern exploration in the late 1940s at a time when Socialist Federal Republic of Yugoslavia was established under a communist government with all assets, including minerals, belonging to the State. This continued until 1992 when BiH declared its independence, and when bankruptcy proceedings were brought against many of the State companies, including Energoinvest and its assets.

The Vares Project was sold following bankruptcy proceedings against Energoinvest in November 2012 to Balamara Resources Limited and Balkan Mining Pty Ltd who were shareholders of MM Project doo.

Exploitation and exploration rights were granted for 25 years on 12 March 2013 by the Ministry of Economy of the Zenica–Doboj Canton (the Concessor) under Concession Agreement number 04-18-21389-1/13. MM Project doo subsequently changed its name to Eastern Mining doo.

Eastern Mining was acquired by Adriatic in February 2017 and is entirely owned through shareholding by Adriatic.

The Exploration Permit overlying the Rupice area was extended for a period to expire on 25 May 2020, whilst the exploration period for the two exploitation areas was extended for period of two and a half years to expire in September 2020.

The Adriatic Concession covers 281.4 ha and is divided into three areas of which the Veovaca pit and plant site are exploitation and exploration areas, and the Rupice Concession is an exploration area (Table 3).

Table 3: Concession status

Project	Tenement	Field	Area (ha)	Status
Vares	Veovaca pit	1	90.54	Approved – exploitation and exploration
	Veovaca plant site	2	107.68	Approved – exploitation and exploration
	Rupice	3	83.18	Approved – exploration

The Vares Project contains two advanced exploration projects. Veovaca was historically mined for lead, zinc and barite. Rupice was historically mined for barite; however, recent drilling by Adriatic has intersected gold, silver, copper, lead and zinc.

2.3.1 Regional Prospect Area

Based on the review of historical exploration data, Adriatic has identified various regional prospects which lie both within, and outside the existing Concession area. All the regional prospects lie within the prospective stratigraphy outlined in (Figure 4).

According to Adriatic, neither the Mining Act nor Concession Law regulate directly geological activities in the regional prospect area surrounding the existing Concession. However, according to Adriatic, with the approval of either a private landowner or the competent state authority (for state owned areas), it is possible to undertake limited exploration activities within the regional area if they are non-ground disturbing, such as geochemistry, geophysics and mapping activities. (Figure 4).

Adriatic intends, subject to the ongoing consent of competent state authority and/or private land owners, to conduct non-ground disturbing work as part of the ongoing assessment of the potential of some of the regional prospects that lie outside the existing Concession boundary. Should Adriatic wish to extend its existing license boundaries, it will need to continue its dialogue with the Ministry of Economy ZDC and take advice on the recommended process to do such an extension.

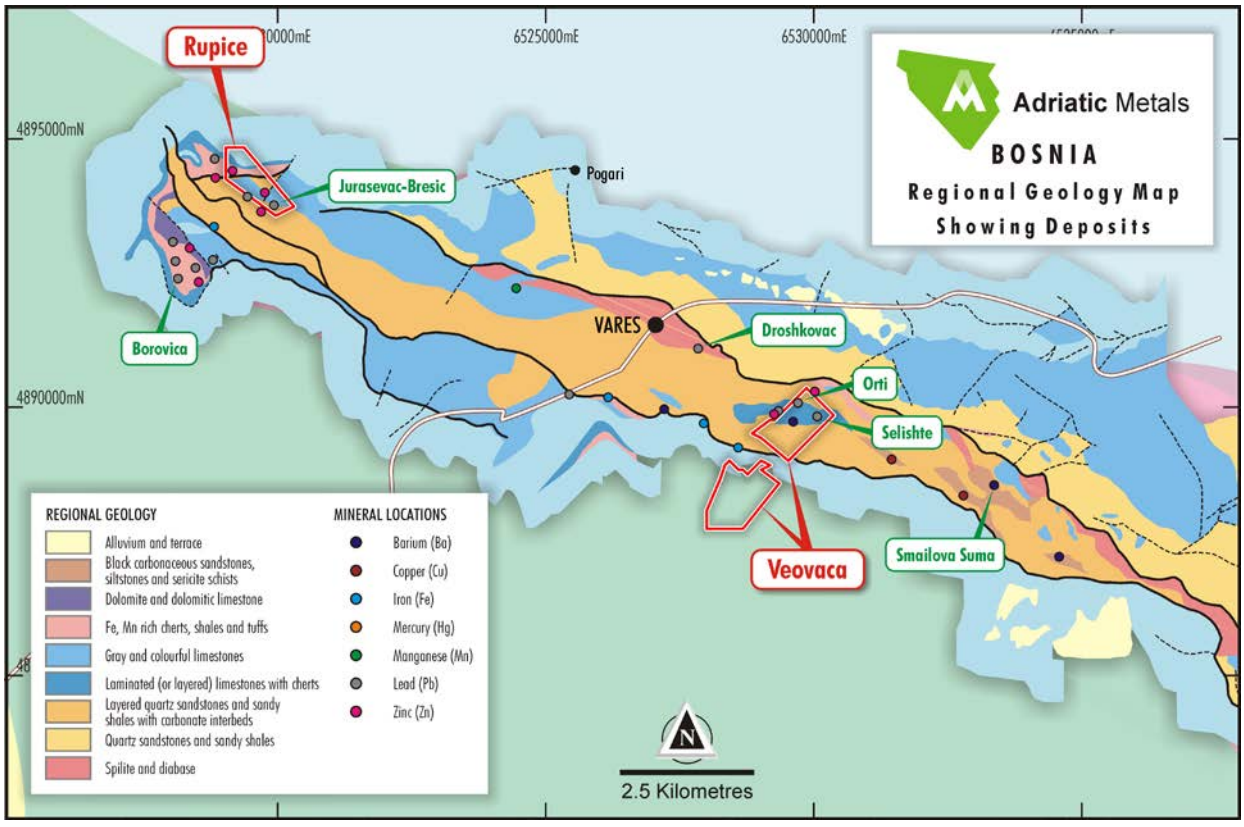

Figure 4: Vares Project Concession, prospects and stratigraphy (the grid is MGI 1901/Balkans Zone 6)

2.4 Geology

2.4.1 Regional Geology

The geological history of Eastern Europe is linked to the closure of the former Tethys geosyncline that had once existed between the African plate and Eurasian plate (Figure 5).

The oldest basement rocks consist of Silurian to Carboniferous aged schist. These are overlain by Mesozoic sedimentary deposits which have been a deformed by the Late Palaeozoic Alpine orogeny. During the Triassic, carbonate sediments formed in the Outer Dinarides; flysch sediments in the Central Dinarides; and volcanogenic-sedimentary formations in the Inner Dinarides (Figure 5). Widespread sedimentation

ends in the Cretaceous whilst Quaternary sediments form localised deposits of alluvium, colluvium, sandstone and limestone.

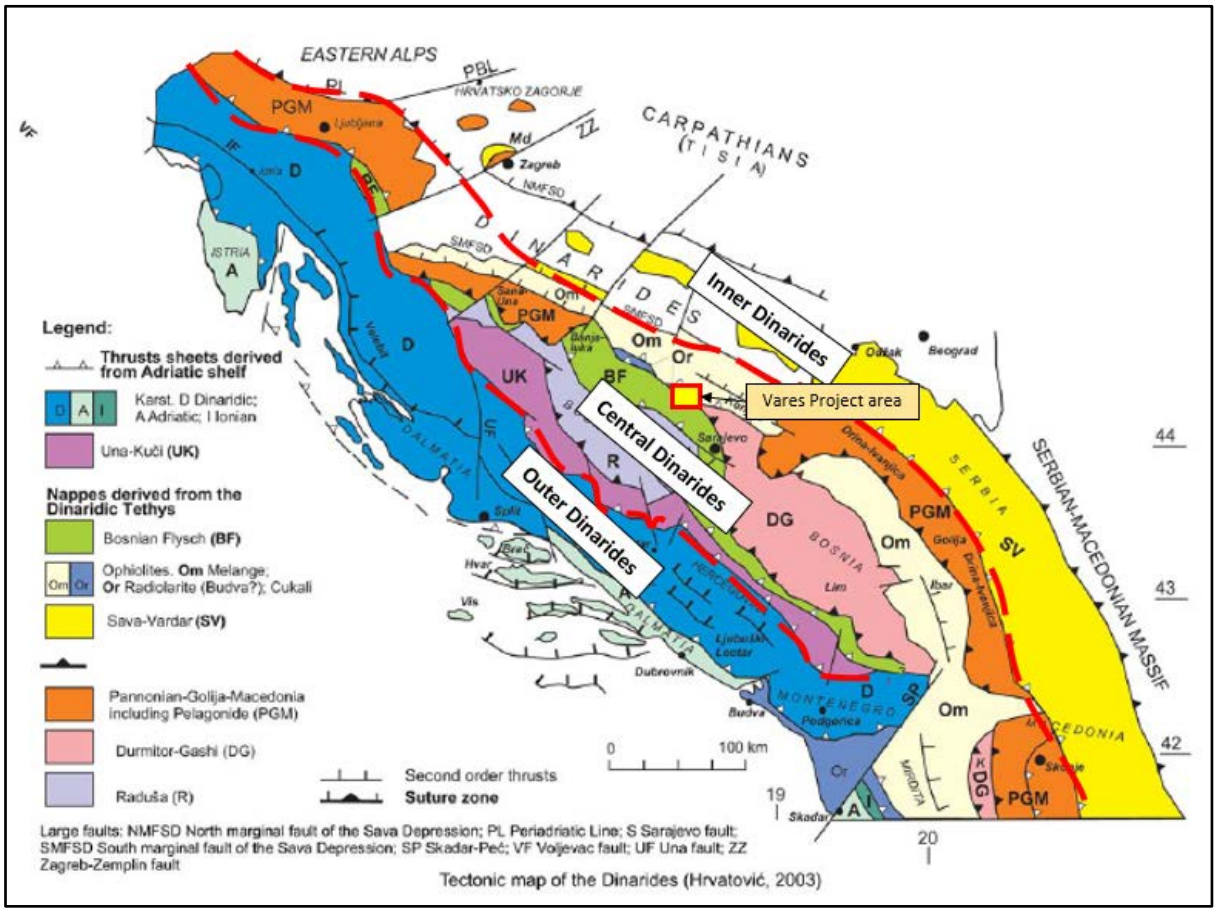

Figure 5: Geotectonic map of the Dinarides within the Balkan states

Source: Hrvatović, 2003

The Vares mineral field is located in the Durmitor Nappe: a thrusted, folded and faulted geological succession of Palaeozoic basement, with overlying Triassic and Jurassic-Cretaceous aged rocks. The district-scale geological setting consists of:

1. Mezozoic formations.
2. Lower Triassic siliciclastic sediments.
3. Anisian limestones.
4. Ladinian chert, limestone, breccia, tuff, Fe-Mn and lead-zinc ore.
5. Ophiolite melange.
6. Wild flysch.
7. Base of the Bosnian flysch.
8. Jurassic-Cretaceous paraflysch.
9. Late Cretaceous-Early Paleogene flysch.
10. Sarajevo-Zenica fresh-water sediments.
11. Triassic undifferentiated formations (Figure 6).

A simplified cross section demonstrating these relationships is shown in Figure 7 (Hrvatović, 2004).

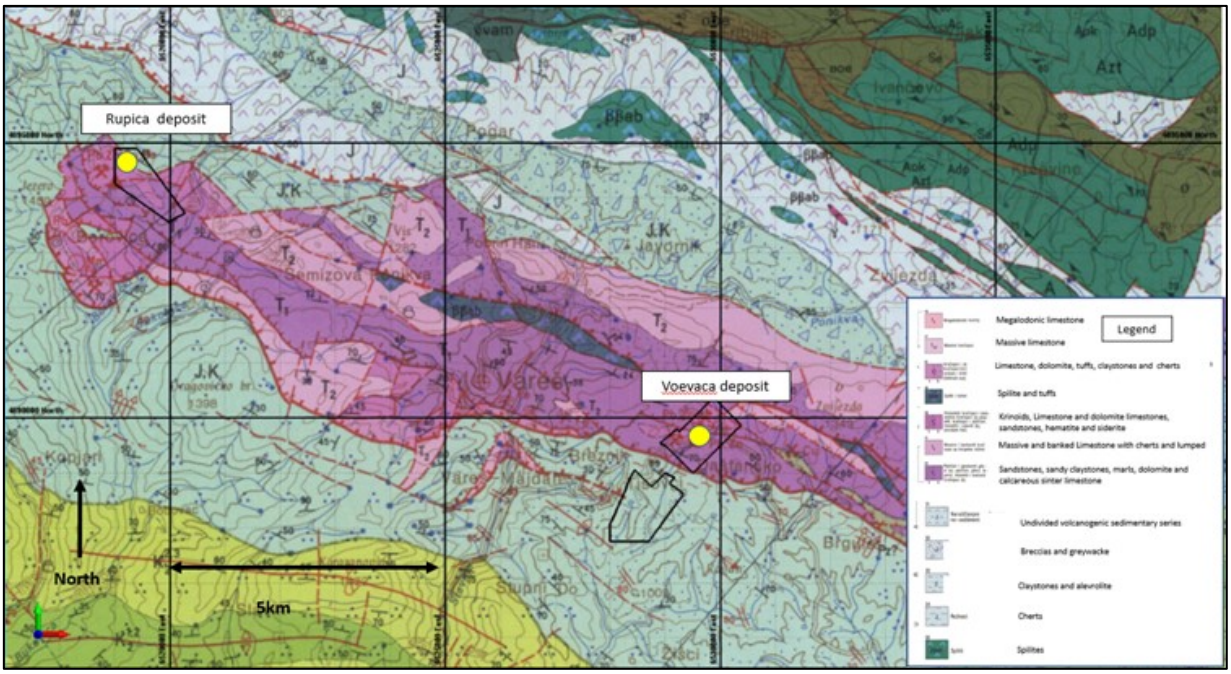

Figure 6: Government map of the district geology, project locations and Concession (grid is MGI 1901/Balkans Zone 6)

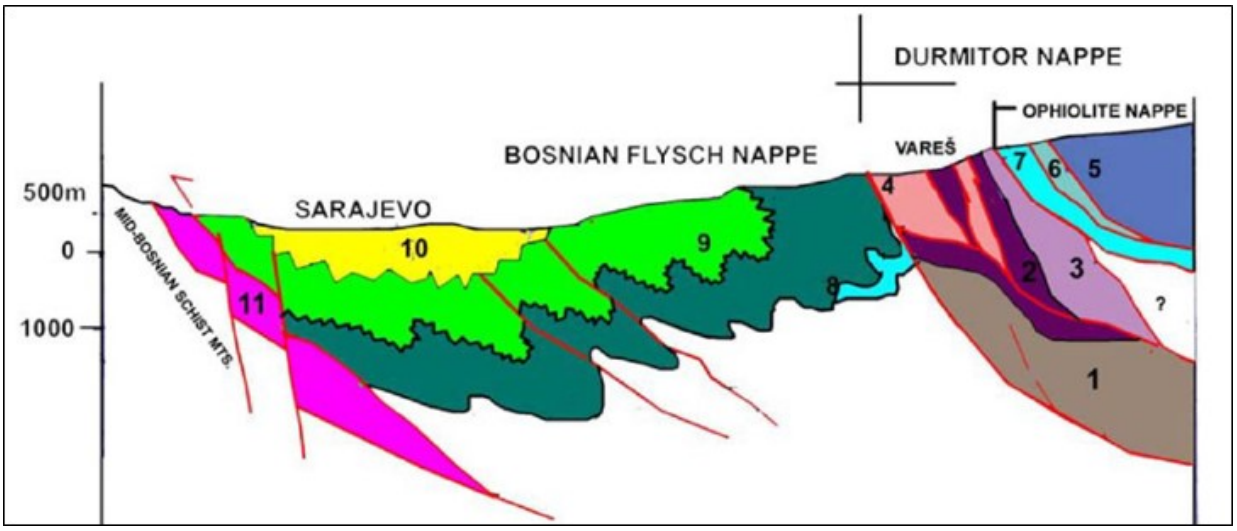

Figure 7: Simplified geology cross section looking northwest

Note: See text above for reference to the 11-stratigraphic description. Source: Hrvatović, 2004

2.4.2 Local Geology

At Veovaca, the Vares Triassic sedimentary package is folded into an east-northeast plunging synform. The core of the syncline consists of a polymictic breccia containing iron, zinc, and lead sulphides; with barite in the matrix. The synform is surrounded by a package of red fine-grained sandstones (alevolites) (Figure 8).

The Rupice area represents the most western extension of Vares ore field, near the western closure of the Durmitor Nappe. The geology of the area consists of Lower Triassic, Middle Triassic and undifferentiated Jurassic-Cretaceous formations (Figure 9). These units are folded into a northwest to southeast trending syncline with the north-east limb being strongly deformed by thrusting. The geological setting at Jurasevac-Brestic potentially represents an extension of this deformed limb.

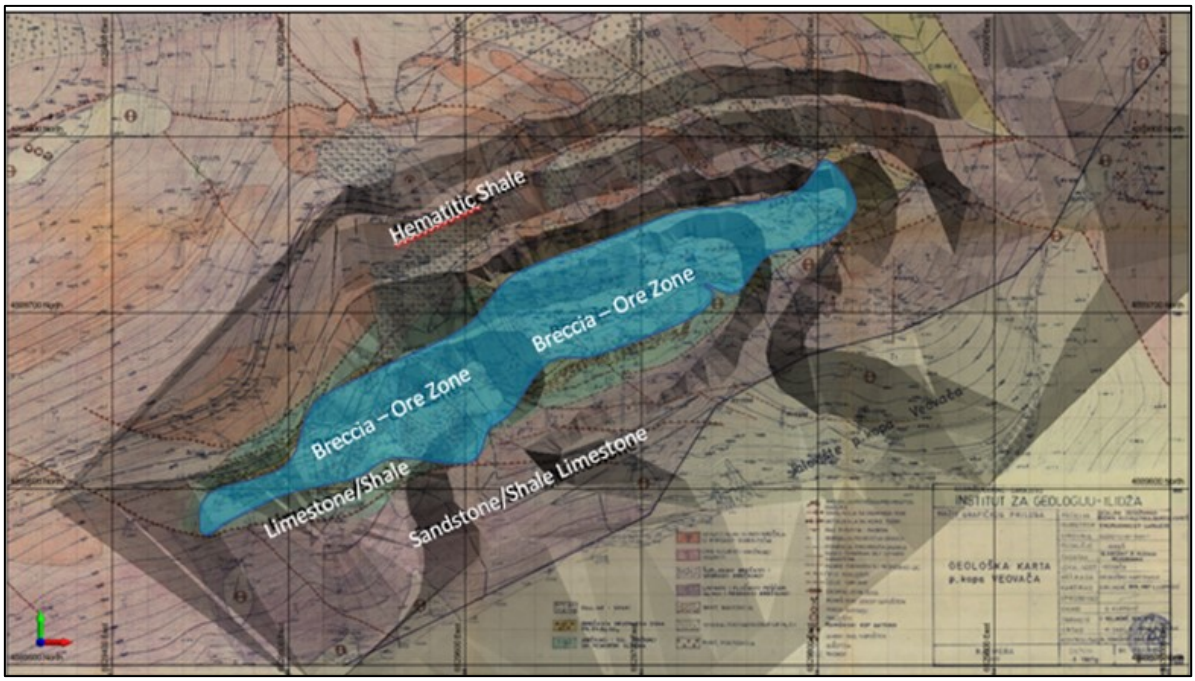

Figure 8: Relationship between plunging breccia zone and surrounding sedimentary units

Note: Data supplied by Adriatic.

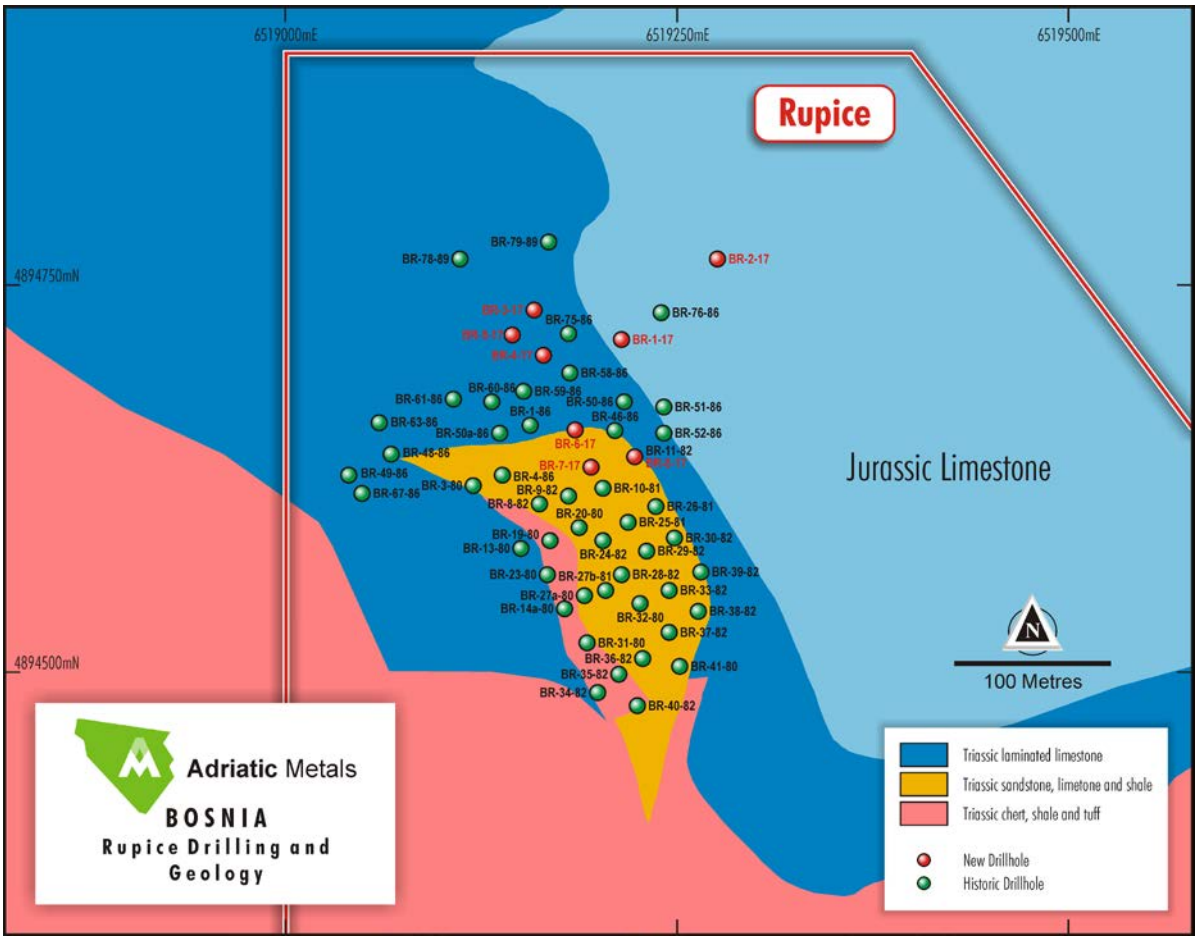

Figure 9: Rupice local geology (the grid is MGI 1901/Balkans Zone 6)

Source: Adriatic.

2.4.3 Mineralisation

The polymetallic mineralisation in the Vares District is associated with Middle Triassic rifting. Mineralisation is predominately hosted in the matrix of a polymictic breccia of banded shale, siltstone or sandstone clasts, both overlain and underlain by a succession of sandstone, siltstone, shale or limestone. Mineralisation has also been observed by Adriatic geologists as semi-conformable with the lithology, though limited in extent, Figure 10 shows the location of the Veovaca and Rupice Concession.

The Vares District hosts several varieties of zinc-lead polymetallic mineralisation:

- Irregular breccia hosted with moderate grade zinc, lead, barite, and silver (Veovacha and Orti)
- Massive barite with high grade zinc-lead-copper sulphides containing silver and gold (Rupice)
- Massive zinc-lead-copper-silver sulphide mineralisation in faults (Jurasevac, Brestic and Mekusa)
- Siderite breccia with medium grade zinc-lead sulphides with silver (Droshkovac and Smreka)
- Barite concentrations with zinc-lead sulphides (Brezik, Smailova Suma).

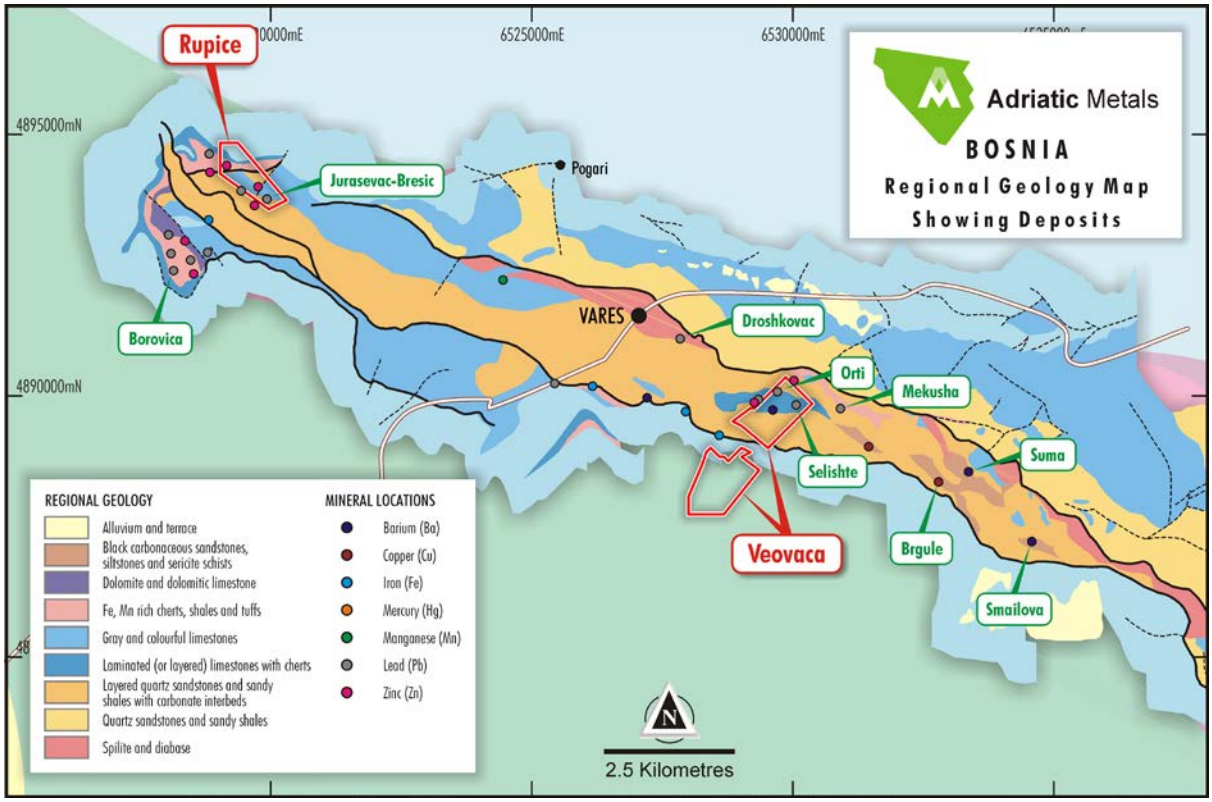

Figure 10: Location of prospects with position of granted Concession and geology (the grid is MGI 1901/Balkans Zone 6)

Mineralogy across the various mineral occurrences includes: sphalerite, galena, chalcopyrite, barite, minor tetrahedrite, and pyrite; with associated silver and gold. There are also rare occurrences of stibnite and cinnabar. Examples of mineralisation from Veovaca and Rupice are shown below (Figure 11 and Figure 12).

Figure 11: Hand specimen of galena and barite (white) material from the Veovaca pit area

Figure 12: Specimen of mineralised core (chalcopyrite and sphalerite) from the Rupice mineralisation

The mineralisation style at Veovaca and Rupice is considered by the Geological Institute in Bosnia to be of sedimentary exhalative (SedEx) origin. However, there is limited information to confirm the presence of finely laminated or bedded sulphide ore that characterise this deposit type (Figure 13). Furthermore, the presence of chalcopyrite and gold mineralisation particularly at Rupice and extensive breccia-hosted mineralisation precludes the SedEx model (Figure 14).

A possible model for the Vares mineral field is a hybrid SedEx-volcanogenic massive sulphide (VMS) deposit style known as Besshi-style VMS, whereby hydrothermal fluids of volcanic affinity deposit associated metals into the sedimentary environment in a similar way to SedEx mineralisation but driven

by volcanic processes rather than sedimentary processes and on a smaller scale. In the Besshi model, there are many common features including syn-deposition of mineralisation and presence of barite; however, the mineralogy and breccia textures are substantially different to those in a SedEx model (Andrews, 2014).

The Besshi model accounts for the presence of chalcopyrite, barite and gold which are not normally associated with SedEx deposits. It would also explain the relatively modest footprint of mineralisation compared to the large scale SedEx deposits.

Subsequent brecciation and remobilisation of mineralisation during deformation of the sedimentary package may have remobilised mineralisation into faults and fractures. Besshi deposits form in clusters along stratigraphic horizons and can be restricted in aerial extent. A typical Besshi model is shown in Figure 14 below. This would be appropriate given the geometry of the Dumitor Nappe and associated geology shown in Figure 7.

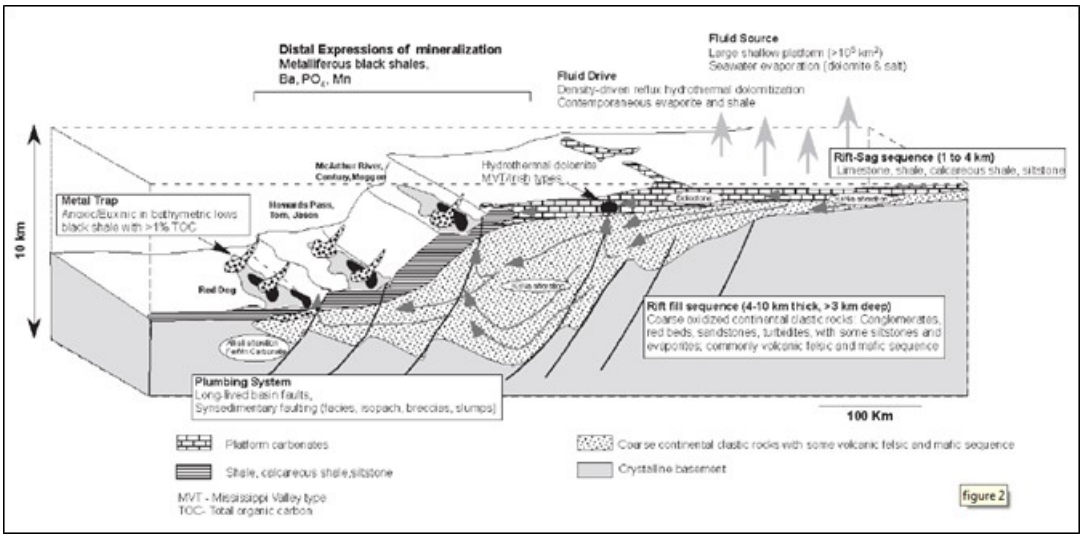

Figure 13: Geologic setting and setting criteria for SedEx zinc-lead-silver deposits (after Embso, 2009)

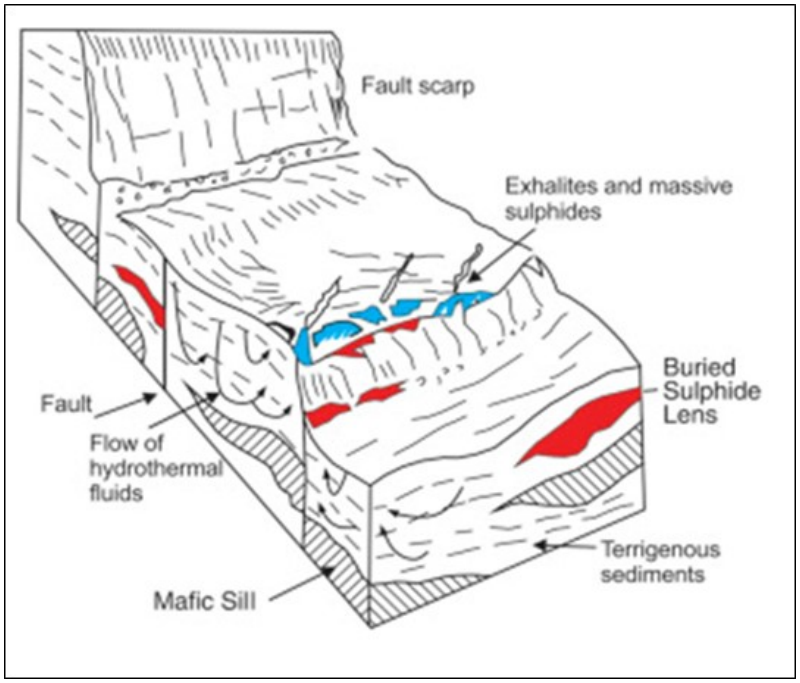

Figure 14: Geological setting of Bessshi style (after Pirajno, 2009)

2.5 Historical Mining and Exploration

The Vares District has a significant mining history dating back to Bronze Age. During the Roman era, the town was famous for its miners and iron smiths. During the Austrian rule of BiH the iron-works of Vares were an important exporter of iron products to the rest of the Habsburg empire. The first blast furnace in BiH was built in Vares in 1891 and only ceased operations in 1990.

The Socialist Federal Republic of Yugoslavia through its parastatal company, Energoinvest, commenced modern exploration in the Vares District in the late 1940s, and over a period of 40 years discovered several iron and polymetallic (lead, zinc, barite, silver, gold) deposits within a 30 km x 10 km sedimentary formation extending from Rupice in the northwest to Smailova in the southeast (Figure 10).

There have been several periods of exploration at the Veovaca deposit. These commenced in the 1960s, with follow-up work in the late 1970s. Exploration consisted of a small program of diamond core drilling and surface trenching (1968–1970), followed by the development of exploration adits and drives, and a more substantial program of diamond core drilling in the late 1970s. Surface exploration activities included geophysical (induced polarisation – IP) and geochemical programs. The first mineral reserve for Veovaca was estimated in 1978 and continued to be refined up to 1983 when open pit mining commenced.

Open pit mining commenced at Veovaca in 1983 at an intended production rate of approximately 400,000 tonnes per annum. After four years of mining, some 1.2 million tonnes (Mt) of ore had been mined and hauled to the nearby processing facility some 2 km to the southwest (Figure 5).

Mining activities by Energoinvest reached a peak in the 1980s but by the end of the decade all mines closed due to political instability rather than depleted mine reserves.

No exploration was conducted in the Vares District following the closure of the lead-zinc and iron ore mines in the late 1980s. Thereafter the civil unrest of the 1990s, lack of foreign investment through the early 2000s, and the eventual bankruptcy of the parastatal company, Energoinvest, impeded any attempt at restarting exploration and mining.

2.6 Recent Exploration Activities

2.6.1 Veovaca Exploration

There have been several periods of exploration at the Veovaca deposit commencing in the 1960s and follow-up work in the late 1970s. Exploration consisted of an initial small program of diamond core drilling and surface trenching (1968–1970), followed by the development of exploration adits and drives. A more substantial program of diamond core drilling was completed in the 1970s. In all, a total of 56 diamond drillholes were completed for approximately 8,000 m (Table 4).

Table 4: Significant historical drill results

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	$BaSO_4$ (%)
BV-I-3	0.0	20.0	20.0	2.6	3.1	31
BV-II-2	18.0	36.0	18.0	1.3	3.3	11
BV-III-1	0.0	12.0	12.0	1.4	1.7	30
BV-III-1	20.0	26.0	6.0	2.8	3.5	33
BV-III-3	0.0	10.0	10.0	3.6	5.0	58
BV-III-3	18.0	40.0	22.0	1.5	1.9	17
BV-IV-2	17.0	33.0	16.0	1.7	1.4	13
BV-IV-2	35.0	55.5	20.5	1.9	3.2	27
BV-IX-1	0.0	34.0	34.0	0.9	1.1	11
BV-IX-1	42.0	66.0	24.0	0.9	1.1	11
BV-IX-1	76.0	140.0	64.0	0.7	1.6	13

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	$BaSO_4$ (%)
BV-IX-1A	46.0	54.0	8.0	0.2	1.4	0
BV-IX-1A	62.0	86.0	24.0	1.1	1.2	19
BV-IX-3	4.0	10.0	6.0	0.4	2.1	40
BV-IX-3	46.0	68.0	22.0	1.7	3.7	32
BV-V-3	6.0	70.0	64.0	2.6	3.2	37
BV-VI-2	0.0	10.0	10.0	0.6	0.5	9
BV-VI-2	18.0	108.0	90.0	3.1	3.7	47
BV-VII-1	8.0	124.0	116.0	0.7	3.3	24
BV-VII-1A	112.0	120.0	8.0	1.0	1.0	0
BV-VII-3	10.0	30.0	20.0	0.5	1.8	14
BV-VII-3	42.0	60.0	18.0	1.1	3.9	37
BV-VIII-1	48.0	57.0	9.0	1.3	1.5	16
BV-VIII-2	10.0	30.0	20.0	0.8	0.9	19
BV-VIII-2	52.0	110.0	58.0	1.6	2.4	30
BV-X-1	18.0	40.0	22.0	1.5	2.3	24
BV-X-1	64.0	78.0	14.0	0.7	1.0	11
BV-X-1	100.0	118.0	18.0	0.7	0.7	13
BV-X-1	130.0	179.0	49.0	0.8	1.1	15
BV-X-2	37.0	63.0	26.0	0.7	0.9	10
BV-X-2	71.0	95.0	24.0	0.8	1.1	14
BV-X-2A	40.0	50.0	10.0	0.5	0.6	0
BV-XI-1	0.5	26.0	25.5	2.9	3.1	38
BV-XI-1	38.0	50.0	12.0	0.7	1.1	7
BV-XI-1	76.0	146.0	70.0	1.1	1.2	14
BV-XI-1A	108.0	114.0	6.0	0.7	1.3	13
BV-XI-1A	120.0	128.0	8.0	0.9	2.1	11
BV-XI-1A	150.0	158.0	8.0	0.7	1.5	9
BV-XI-3	68.0	78.0	10.0	1.3	3.9	33
BV-XI-3	93.0	103.0	10.0	0.8	0.6	6
BV-XII-1	7.0	101.0	94.0	1.1	1.6	16
BV-XII-1	107.0	161.0	54.0	1.0	1.2	12
BV-XII-1	167.0	177.0	10.0	0.7	0.9	9
BV-XII-1A	83.5	101.0	17.5	1.2	1.5	31
BV-XII-1A	108.7	120.5	11.8	0.9	1.1	35
BV-XII-1A	180.5	214.5	34.0	3.3	3.2	42
BV-XIII-1	10.0	38.0	28.0	0.9	1.9	2
BV-XIII-1	60.0	74.0	14.0	2.2	2.4	37
BV-XIII-1	132.0	166.0	34.0	0.7	1.6	19
BV-XIII-4	120.0	138.0	18.0	0.6	0.7	7
BV-XIII-4	164.0	172.0	8.0	1.0	1.3	16
BV-XIII-4	190.0	233.0	43.0	2.3	3.1	36
BV-XIII-5	179.0	191.0	12.0	1.1	1.1	22
BV-XIV-2	44.0	54.0	10.0	0.7	0.9	6
BV-XIV-3	112.0	117.5	5.5	0.5	0.7	0
BV-XIV-3	164.0	180.0	16.0	0.7	1.2	12
BV-XIV-3	190.0	207.7	17.7	1.1	1.8	19
BV-XIV-4	30.0	35.0	5.0	0.2	1.1	1

Drillhole	From (m)	To (m)	Interval (m)	Pb (%)	Zn (%)	$BaSO_4$ (%)
BV-XIV-4	172.8	216.0	43.2	1.1	1.8	17
BV-XIV-5	75.0	80.0	5.0	0.2	1.1	0
BV-XIV-5	235.0	248.0	13.0	1.1	0.6	4
BV-XV-2	172.0	192.0	20.0	0.6	0.8	9
BV-XV-3	213.0	222.0	9.0	1.8	2.0	21
BV-XV-4	60.0	65.0	5.0	1.1	0.1	0
BV-XV-4	240.0	250.0	10.0	2.5	2.5	41
BV-XVII-2	145.0	163.0	18.0	0.6	0.9	9

Note: Intersections greater than 4 m interval at grades using lead + zinc greater than 1% with cut-off with no more than two consecutive intervals below cut-off. $BaSO_4$ = Barite.

Seven diamond drillholes at Veovaca were previously assayed by Energoinvest for silver with three drillholes returning the following results (Table 5).

Table 5: Silver intervals greater than 5 m (with greater than 30 g/t Ag with less than two consecutive intervals <30 g/t Ag)

Drillhole	From (m)	Interval (m)	Ag (g/t)
BV-IX-1A	62	24	71
BV-XI-1A	152	6	44
BV-XIII-5	179	12	45

Several IP programs were also completed in this period with chargeability anomalies extending from the Veovaca deposit to the Mekusa and Barice areas to the east-southeast (Figure 10).

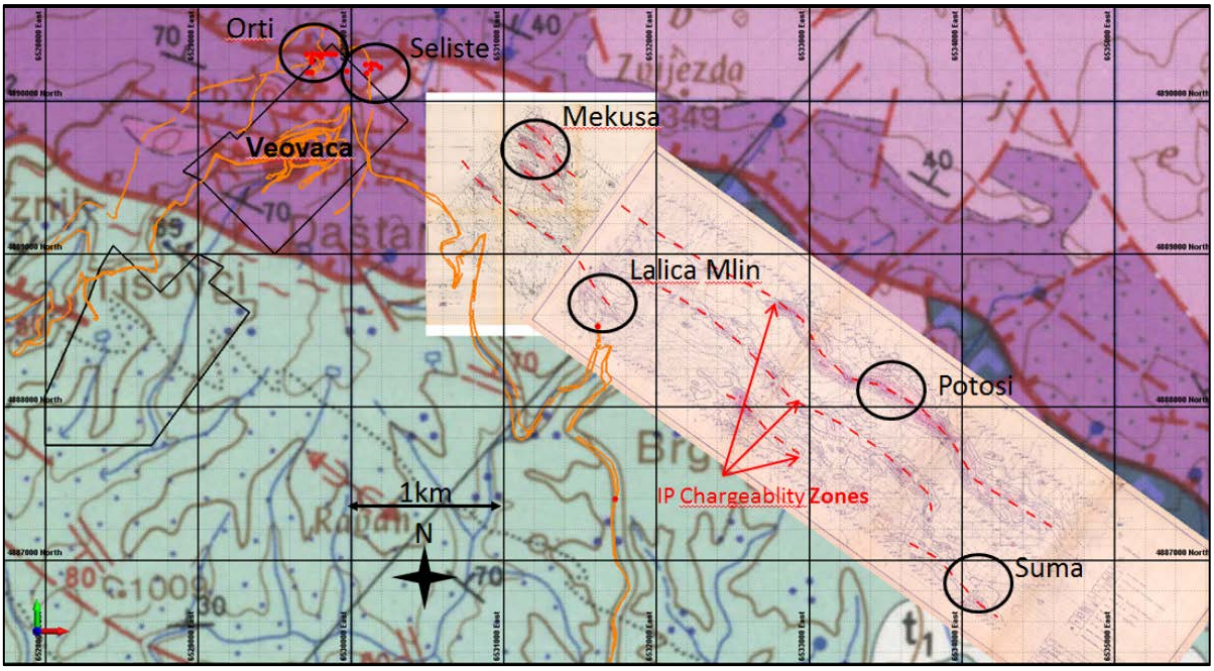

Figure 15: Historical geo-referenced IP to the southeast of Veovaca with IP anomalies (red dashed lines) – the grid is MGI 1901/Balkans Zone 6

Source: Adriatic.

IP and drilling programs are also reported 100 m to the east-northeast of the Veovaca Orti and Seliste. Whilst CSA Global has sighted the drillhole geology logs for Orti; the IP data has not been provided. These prospects are yet to be fully explored and Adriatic consider these to be down plunge extensions to the Veovaca mineralisation (Figure 16 and Figure 17).

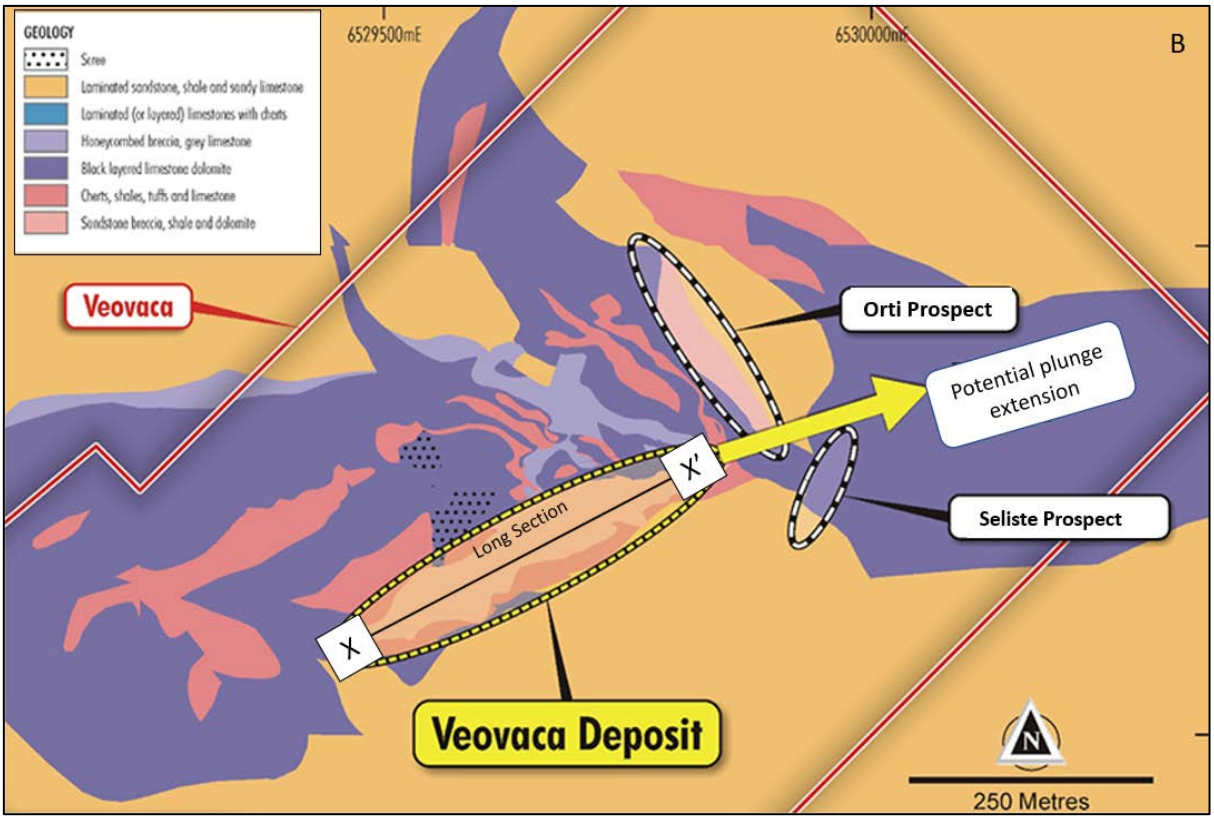

Figure 16: Veovaca plan view with geology mineralisation demonstrating the potential plunge of mineralisation (the grid is MGI 1901/Balkans Zone 6)

Note: Figure modified from Adriatic website.

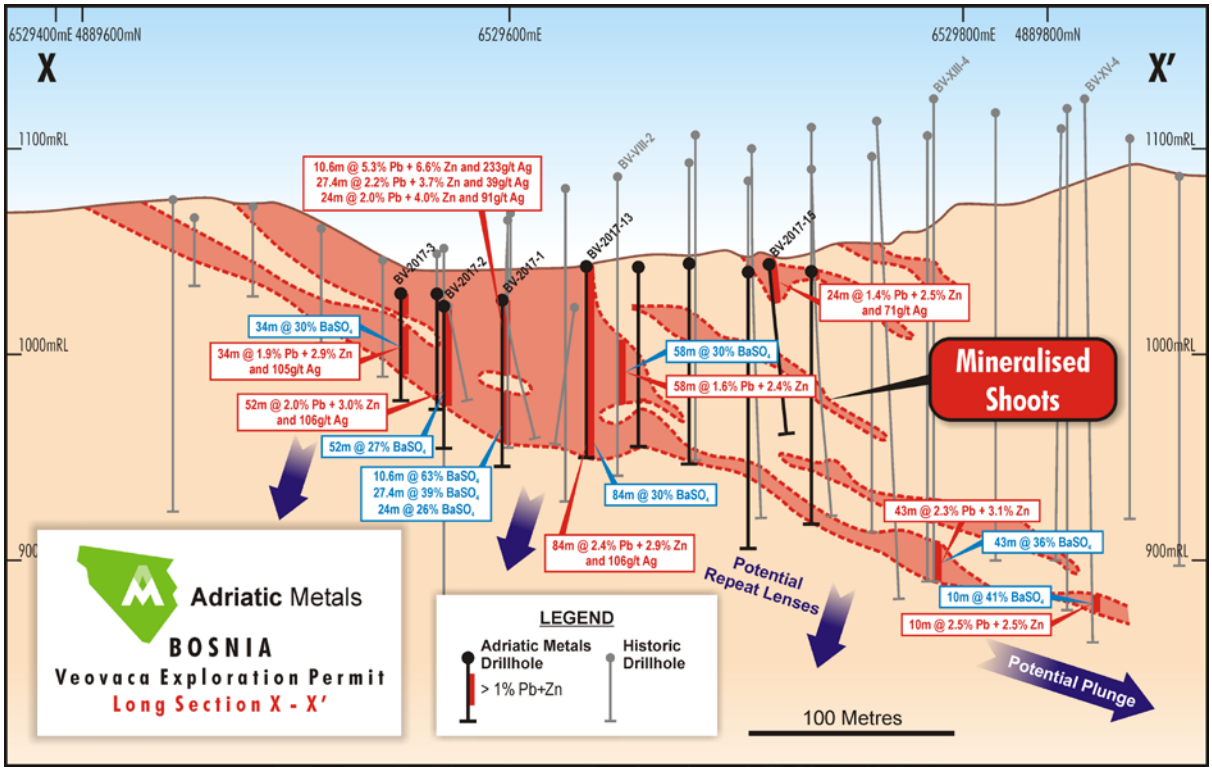

Figure 17: Long section of Veovaca mineralisation and potential targets – the grid is MGI 1901/Balkans Zone 6 (modified from Adriatic presentation) demonstrating potential for repeat lenses below the pit

Adriatic completed 16 new drillholes in 2017 for 1,379 m to supplement and confirm some of the 48 historical drillholes, areas of adit sampling, and open pit grade control samples. Results from this drilling are listed in Table 6.

Table 6: Adriatic drilling results at Veovaca with intervals greater than 5 m (using lead + zinc greater than 1% with, with no more than two consecutive intervals below cut-off)

Drillhole	From (m)	Interval (m)	Pb (%)	Zn (%)	$BaSO_4$ (%)	Ag (g/t)	Au (g/t)
BV-2017-1	0.0	10.6	5.3	6.6	63	233	0.2
	12.6	27.4	2.2	3.7	39	121	0.4
	46.0	24.0	2.0	4.0	26	91	0.1
BV-2017-2	0.0	52.0	1.9	2.9	27	106	0.2
BV-2017-3	0.0	34.0	1.9	2.9	30	105	0.2
BV-2017-4	4.0	88.0	2.0	2.3	28	99	0.1
BV-2017-5	0.0	40.0	0.8	1.3	10	37	0.1
BV-2017-6	0.0	88.0	1.3	1.9	17	54	0.1
BV-2017-7	Hole abandoned before target						
BV-2017-8	6.0	12.0	0.7	1.1	7	27	0.0
	32.0	80.0	0.9	1.3	12	37	0.1
BV-2017-9	0.0	20.0	1.4	1.5	17	55	0.1
	34.0	42.0	1.0	1.2	13	46	0.1
	84.0	38.0	1.7	2.6	20	77	0.1
BV-2017-10	0.0	42.0	2.6	3.2	37	125	0.2
BV-2017-11	22.0	38.0	1.6	2.1	17	63	0.1
BV-2017-12	0.0	52.0	2.7	3.3	39	133	0.2
	64.0	16.0	2.8	3.8	28	115	0.1
BV-2017-13	14.0	84.0	2.4	2.9	30	106	0.1
BV-2017-14	0.0	20.0	0.7	0.9	8	23	0.0
BV-2017-14	34.0	24.0	0.9	1.8	13	50	0.1
BV-2017-15	0.0	24.0	1.4	2.5	17	71	0.1
	34.0	16.0	0.7	0.9	9	27	0.0
	58.0	26.0	1.6	2.2	17	70	0.1
BV-2017-16	18.0	24.5	0.5	0.9	5	21	0.0
	68.5	20.0	1.4	1.7	15	53	0.1

Outside of the Veovaca mining area, limited exploration has been undertaken.

2.6.2 Rupice Exploration

The Rupice prospect is located 15 km to the northwest of Veovaca on the western slope of Kiprovac Ridge. Other known prospects include Jurasevac-Brestic and prospects in the Borovica corridor (Kraljeva Jama, Siroki Radakovac, Ceo Sutjeska and Zakruzje) (Figure 18).

Exploration activities in the Rupice area commenced in 1952 and continued intermittently until 1990, initially focusing on barite mineralisation and later on the polymetallic mineralisation.

Exploration activities including geophysics (IP – chargeability), costeans, exploration adits, and drilling. These indicated the presence of polymetallic mineralisation at Rupice and Jurasevac-Brestic. Chargeability anomalies extend to the south-east between Rupice and Jurasevac-Brestic but these trends have not been drill-tested. Other anomalies in the area (at Gornja Borovica and Donja Borovica localities) have not been followed up by drilling either, though these are outside the Adriatic granted Concession.

During this period Energoinvest completed 59 holes for 7,000 m targeting Rupica, Borovica and Jurasevac-Brestic (Table 7).

Table 7: Historical drillhole intersections at Rupice (using lead + zinc greater than 1% with no more than two consecutive intervals below cut-off and greater than 5 m interval)

Drillhole	From (m)	Interval (m)	Pb (%)	Zn (%)	$BaSO_4$ (%)	Cu (%)	Ag (g/t)	Au (g/t)
BR-1-86	77.0	26.0	1.4	1.9	19	n/a	n/a	n/a
BR-9-82	60.0	17.0	2.6	3.0	64	0.3	223	n/a
	83.0	10.0	0.3	1.0	2	n/a	n/a	n/a
BR-10-81	85.0	51.0	1.8	2.4	59	n/a	n/a	n/a
Including re-assay	90	34.0	n/a	n/a	n/a	n/a	195	1.8
BR-14a-80	4.0	27.0	1.3	2.0	74	0.3	n/a	n/a
	90	34.00	n/a	n/a	n/a	n/a	195	1.8
BR-19-80	19.0	10.0	1.0	2.3	14	n/a	n/a	n/a
BR-20-80	49.0	14.0	1.0	2.0	47	0.2	518	n/a
BR-24-82	66.4	11.4	2.8	3.8	85	0.3	273	1.1
BR-25-81	88.0	34.0	1.0	0.9	38	n/a	n/a	n/a
BR-25-81	90	26.00	n/a	n/a	n/a	n/a	n/a	0.7
BR-27b-81	52.0	6.0	0.9	0.5	46	0.3	59	n/a
BR-29-82	101.0	9.0	0.5	0.5	26	0.2	39	n/a
BR-30-82	123.0	15.0	2.1	2.2	35	0.7	221	n/a
BR-33-82	99.0	14.0	1.7	1.9	3	0.7	43	0.6
BR-34-82	32.0	14.0	0.5	0.9	21	0.5	113	1.1
BR-46-86	152.0	10.0	4.1	5.6	54	n/a	n/a	n/a
BR-50-86	164.0	10.7	1.3	1.0	8	n/a	n/a	n/a
BR-58-86	137.6	33.9	6.3	11.4	56	n/a	n/a	n/a
Including	141.0	24.0	8.0	14.8	61	n/a	n/a	n/a
BR-59-86	129.0	24.0	2.0	4.0	41	n/a	n/a	n/a
Including	147.0	6.0	5.1	11.4	71	n/a	n/a	n/a
BR-60-86	97.0	9.0	2.2	2.0	22	n/a	n/a	n/a
BR-75-86	178.0	12.0	3.6	4.5	4	n/a	n/a	n/a
BR-76-89	190.0	49.0	4.8	5.3	54	n/a	n/a	n/a
Including	204.4	10.8	8.8	9.3	67	n/a	n/a	n/a
BR-78-89	171.1	14.6	1.3	2.0	9	n/a	n/a	n/a
BR-79-89	196.6	7.0	5.2	8.9	42	n/a	n/a	n/a

According to Adriatic records, less than one-third of the historical drillholes in Rupice were assayed for silver or gold.

Historical IP programs cover the majority of the Concession and part of the Regional (Figure 18). The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. Several prospects in the Borovica corridor surrounding the Concession are also highlighted.

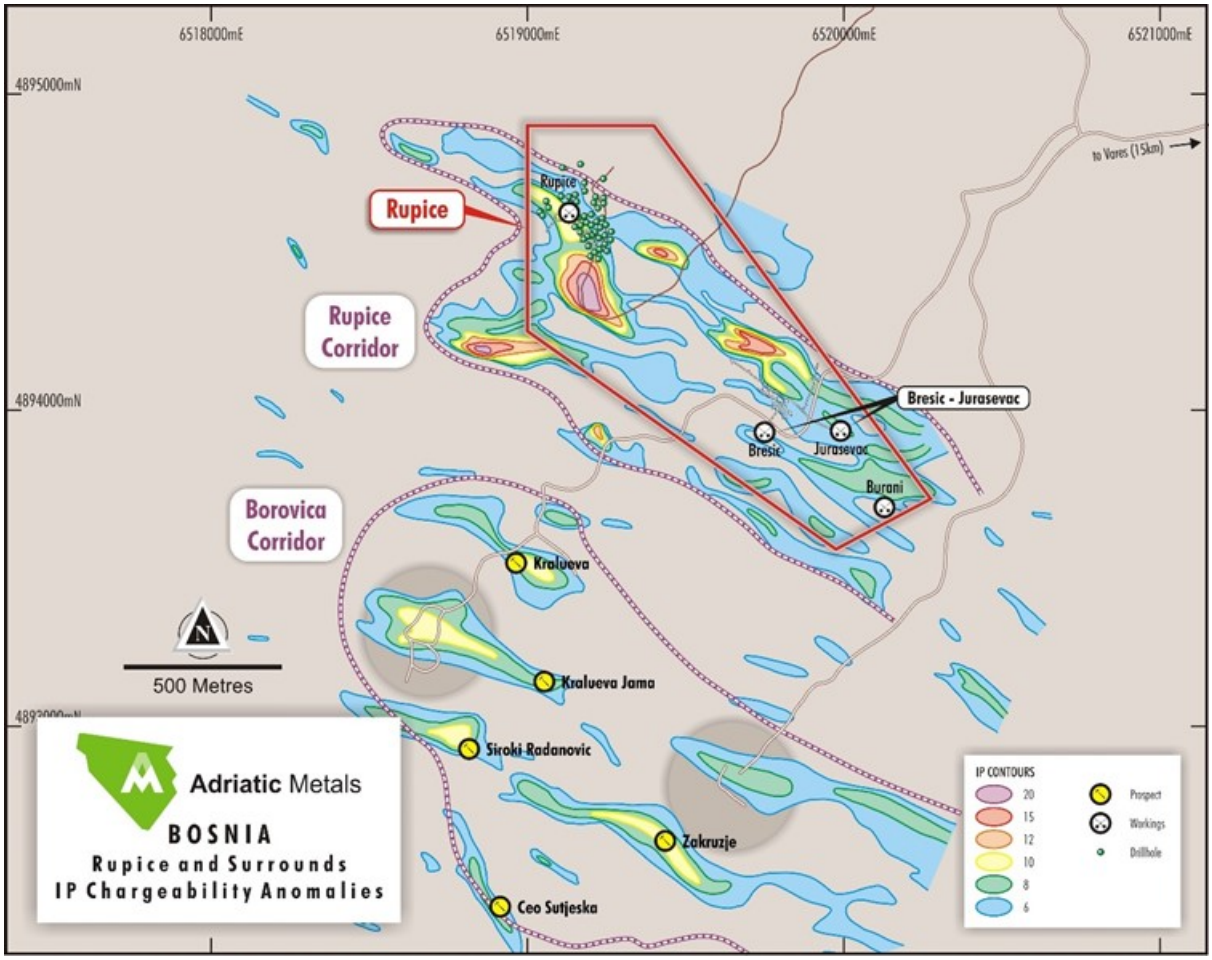

Figure 18: Plan view of Rupice and geophysical (IP) anomalies (100 m spaced lines)

Note: Contour units are Mv/Ms. The grid is MGI 1901/Balkans Zone 6. Source: Adriatic.

Adriatic completed IP (gradient array) programs cover the majority of the Rupice and part of the regional prospect area in 2017 and 2018 (Figure 19). The Rupice and Jurasevac prospects are highlighted by moderate to high chargeability anomalies. In addition, 5 km to the southwest of Jurasevac, there is a parallel chargeable anomaly, within the regional prospect area.

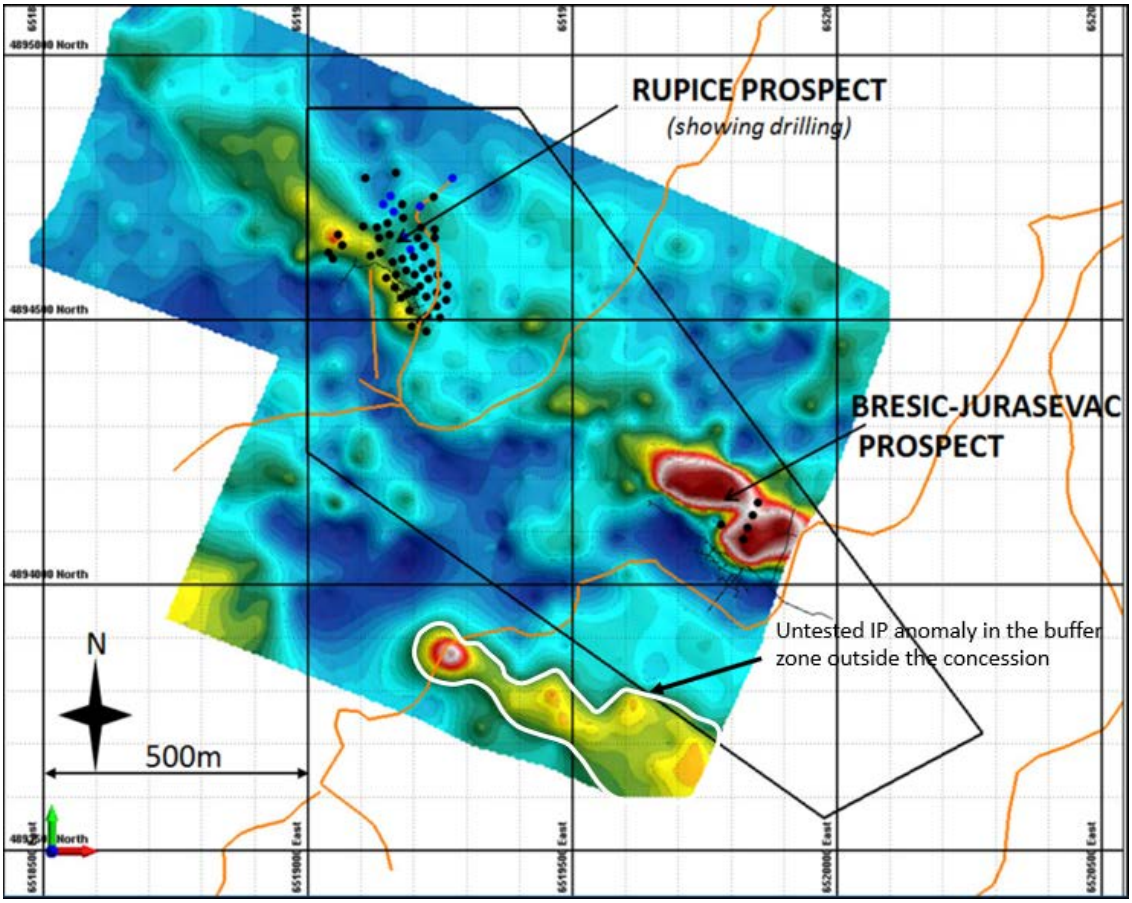

Figure 19: Plan view of the gradient array IP and prospects (100 m east-west grid; 50 dipoles) – the grid is MGI 1901/Balkans Zone 6

Source: Adriatic.

Adriatic completed seven holes at Rupice for 1,800 m in 2017. Drilling targeted down plunge of the mineralisation to confirm historical results and assay additional elements, including copper, gold and silver (Figure 20 and Figure 21, and Table 8). From this work, Adriatic was able to conclude that:

- Mineralisation is open at depth and along strike
- Despite historical irregular sampling for gold, copper and silver, all the Adriatic significant intervals assayed significant grades for these metals that correlate with the zinc and lead mineralisation
- Significant exploration potential exists adjacent and down dip to previous significant drill intersections with the deepest drillhole by Adriatic, BR-1-17 intersecting 64 m at 5.1% lead, 8.5% zinc, 1.0% copper, 374 g/t silver and 2.3 g/t gold (Table 8).

Table 8: Adriatic drilling results at Rupice (using lead + zinc greater than of 1% with no more than two consecutive intervals below cut-off and a minimum of 5 m intervals)

Drillhole	From (m)	To (m)	Interval (m)	Au (g/t)	Ag (g/t)	Cu (%)	Pb (%)	Zn (%)	$BaSO_4$ (%)
BR-1-17	178	242	64	2.26	373.4	0.92	5.11	8.44	43.47
Including	222	236	14	2.18	297.9	2.07	14.16	23.72	33.48
Including	206	238	32	2.86	394.3	1.12	7.98	13.62	53.93
BR-4-17	146	176	30	3.47	382.3	0.21	4.12	5.76	70.93
BR-6-17	116	138	22	0.79	161.4	0.3	1.73	1.78	26.09
Including	120	126	6	1.78	453	0.43	3.94	4.44	70.84
BR-7-17	94	134	40	3.62	478.6	0.58	5.45	8.17	57.28
Including	118	126	8	9.93	1,046.30	0.76	10.75	17.26	43.85

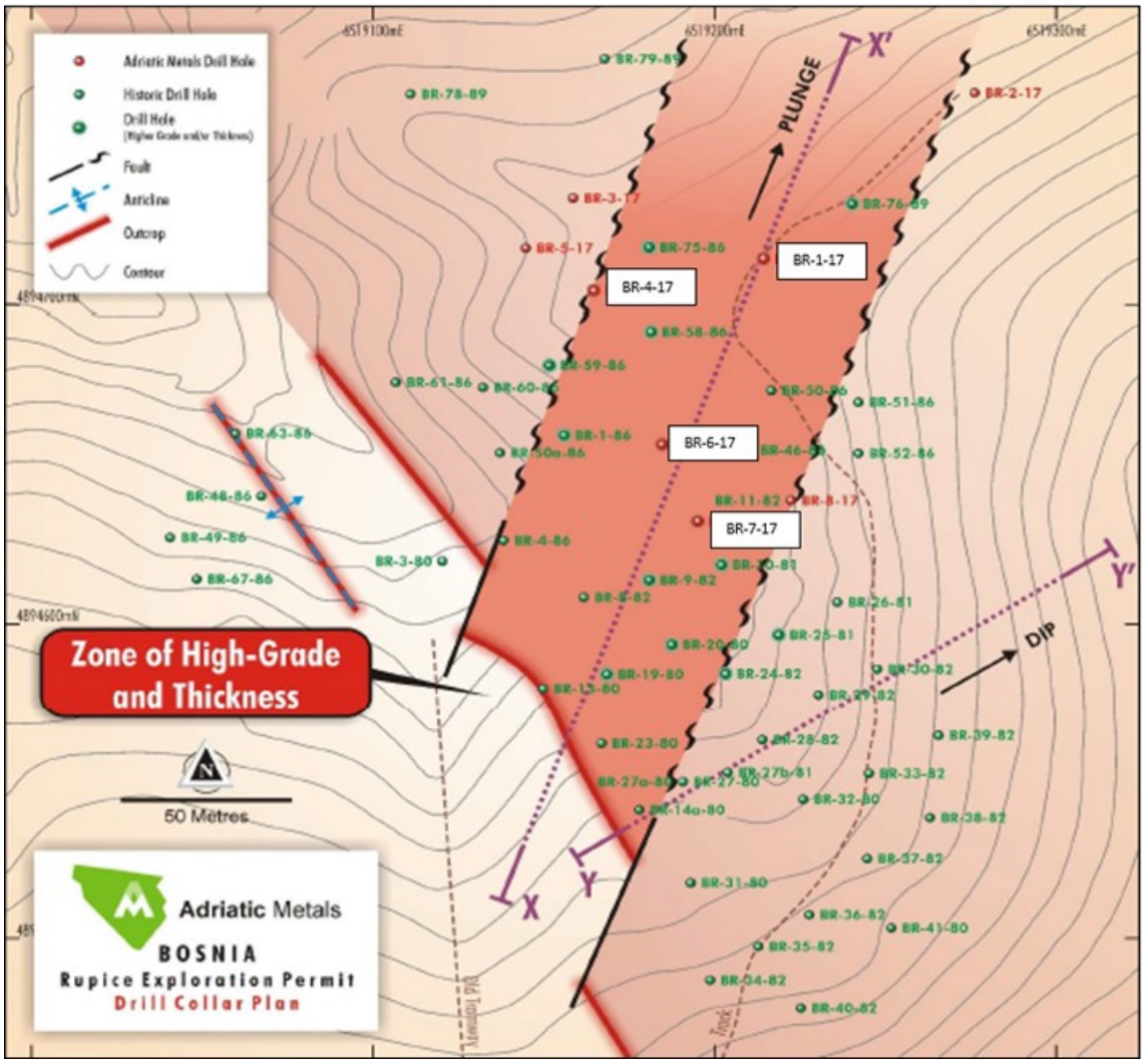

Figure 20: Plan view of plunging mineralised zone with Adriatic drilling at Rupice (the grid is MGI 1901/Balkans Zone 6)

Note: Figure modified from Adriatic website.

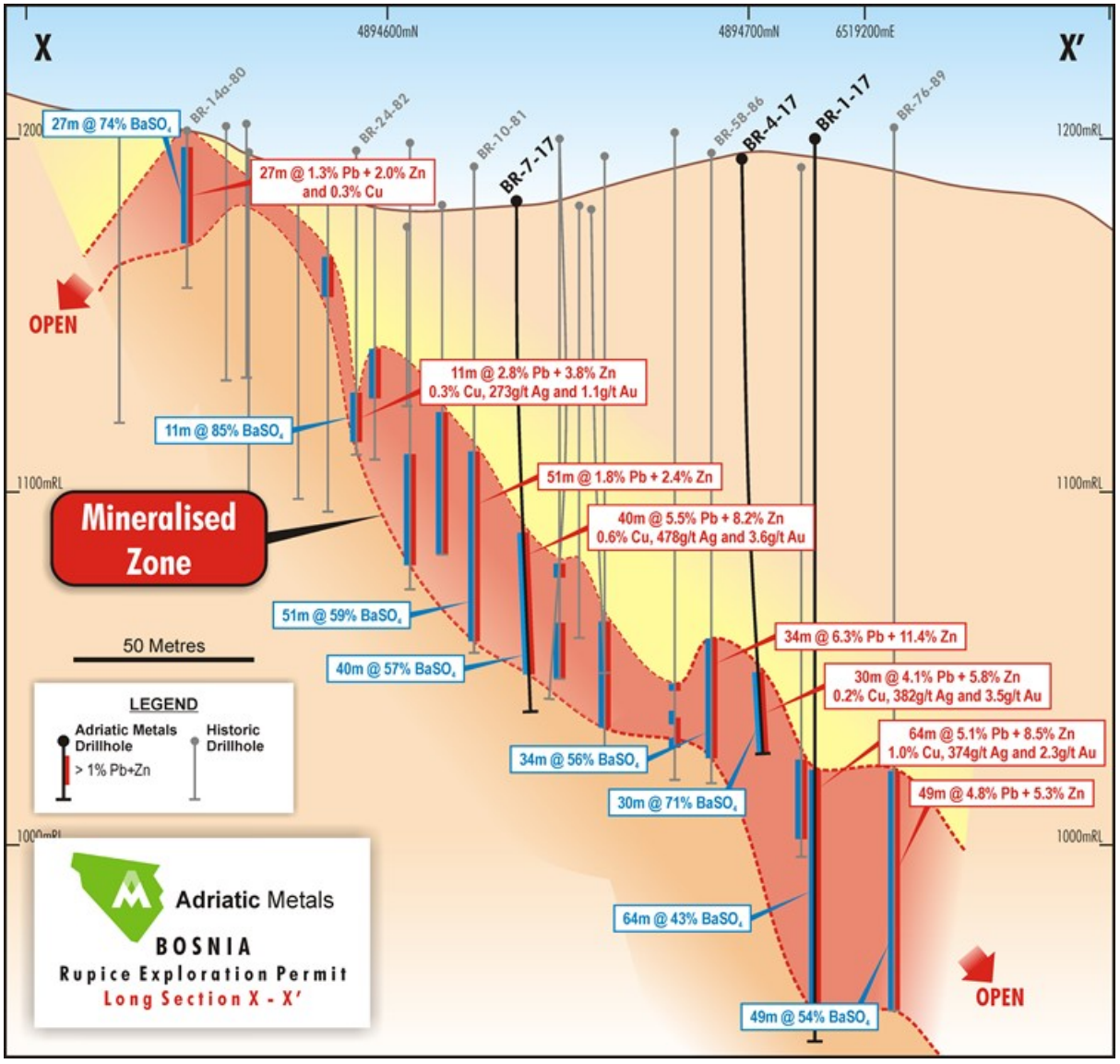

Figure 21: Long section of the mineralised zone at Rupice looking northeast, with recent Adriatic drilling (the grid is MGI 1901/Balkans Zone 6)

Source: Supplied by Adriatic.

2.6.3 Exploration from Smailova to Rupice

Historical exploration activities have tended to focus on Veovaca and Rupice areas in the past. There are however numerous mineral occurrences located on the prospective Triassic stratigraphy between the two projects, covering approximately 20 km (Figure 22).

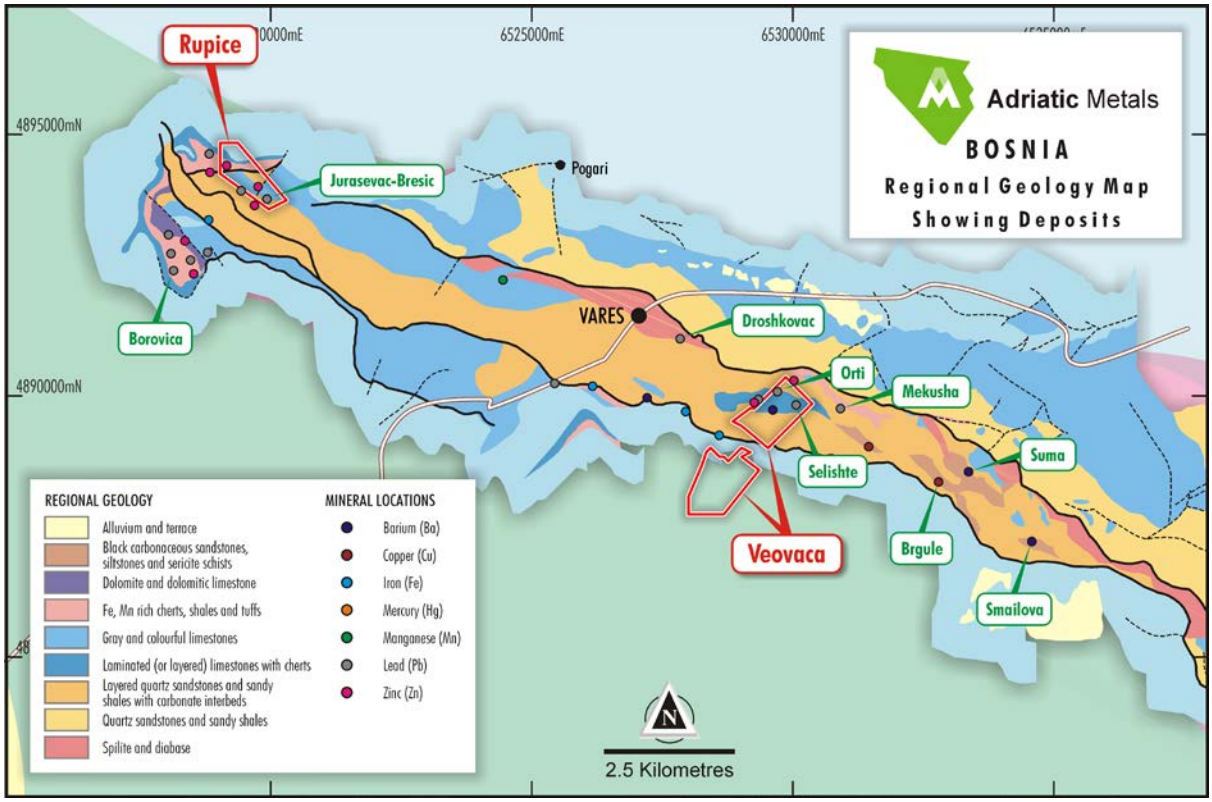

Figure 22: Mineral occurrences within the broad Triassic stratigraphy (the grid is MGI 1901/Balkans Zone 6)

Source: Adriatic.

2.7 Veovacha Mineral Resource Estimate

The Mineral Resource estimate was completed in February 2018 by Mr Dmirty Pertel from CSA Global working with Mr Bob Annett a consultant to Adriatic Metals (Pertel and Annett, 2018). Mr Pertel and Mr Annett are joint Competent Persons for this estimate. Mr Annett's contribution primarily relates to the data, the preliminary mineralisation outlines and QAQC. Mr Pertel's contribution relates primarily to Mineral Resource estimation.

2.7.1 Mineral Resource Overview

Eastern Mining provided databases including drillhole logging, sampling, analytical results and collar locations. Mr Annett performed an evaluation of the quality of the data for the Veovaca deposit (QAQC analysis), whilst Mr Pertel prepared the Mineral Resource estimate. The quality of drilling, sampling, logging, core recovery, and geological description is of a reasonable standard sufficient for Mineral Resource estimate purposes.

Forty-eight historical drillholes, adit sampling, open pit grade control samples, and 16 new drillholes (2017) were used to define the geometry of the mineralised intervals at Veovaca. Several of the new drillholes twinned historical holes whilst others infilled the historical drilling in areas of particular interest. The assays (both recent and historical) are of sufficient industry standard and considered appropriate for Mineral Resource estimates. The following observations were noted:

- The Mineral Resource estimate was based upon assay data from 16 holes from Eastern Mining's recent drilling of twin and infill diamond core holes, adit channel samples from the early 1970s, and 48 diamond core holes drilled by Energoinvest between 1968 and 1970, and 1978 to 1979.

- The combined drillhole density of approximately 30 m x 30 m closing in places to 20 m x 20 m, provided sufficient data points to model the polymetallic (lead, zinc, silver, gold and barite) lenses over a strike length of approximately 550 m, and the silver and gold over 250 m of the 550 m strike.
- The geology consisted of a sequence of banded sandstone, siltstone and shale which hosts the primary polymetallic mineralisation. The sequence was deformed, uplifted and brecciated into a sub-vertical orientation with secondary remobilisation of some of the mineralisation into high grade veinlets.

A zinc equivalence calculation was used as a mechanism to report the polymetallic block model above cut-off grades. An assumed recovery of 90% was based on historical production records from the Veovaca open pit, and metallurgical testing is in progress to confirm this assumption. The cut-off grades were applied to the zinc equivalent (ZnEq) values in the block model only; the ZnEq values themselves were not reported however, as they were generated only to facilitate the reporting of the estimated lead, zinc, barite, gold and silver grades. The ZnEq formula applied was:

ZnEq = Zn% * 90% + 0.814467 * Pb% * 90% + 0.087413 * BaSO4% * 90% + 1.463388 * Au(g/t) * 90% + 0.019969 * Ag(g/t) * 90%

Please see Notes 3,4 and 5 below Table 10 for more detail.

The Mineral Resource estimate for the Veovaca deposit is shown in Table 9 and Table 10. The total Veovaca Mineral Resource contains approximately 106 kt of zinc metal, 58 kt of lead metal, and 947 kt of barite, and within 250 m of the 550 m total strike 5,382 koz of silver and 10 koz of gold (with 0.5% ZnEq cut-off). Further drilling is required for silver and gold to be included in the total Mineral Resource estimate.

Mineral Resources were reported using cut-off grade of 0.5% ZnEq, and separately for the deposit area where gold and silver assays were taken and used, and outside of the area where there are no assays for gold and silver (Figure 23). Please note that the tonnage estimates within the areas sampled for gold and silver have not been combined with the areas where no sampling had occurred for gold and silver, to avoid presenting a possibly misleading representation of the metal currently estimated.

Table 9: Veovaca open cut Mineral Resources as at 1 January 2018 (within the area sampled for Au and Ag)

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Pb (%)	Zn (%)	$BaSO_4$ (%)	Au (g/t)	Ag (g/t)	Pb (kt)	Zn (kt)	$BaSO_4$ (kt)	Au (koz)	Ag (koz)
Indicated	2.6	1.1	1.9	18	0.09	58	30	51	478	8	4,881
Inferred	1.0	0.3	1.3	5	0.07	16	3	13	55	2	501

Table 10: Veovaca open cut Mineral Resources as at 1 January 2018 (outside the area sampled for Au and Ag)

JORC classification	Tonnes (Mt)	Grades					Contained metal				
		Pb (%)	Zn (%)	$BaSO_4$ (%)	Au (g/t)	Ag (g/t)	Pb (kt)	Zn (kt)	$BaSO_4$ (kt)	Au (koz)	Ag (koz)
Indicated	2.0	0.9	1.3	15			17	26	304		
Inferred	1.6	0.5	1.0	7			8	16	110		

Notes:

1. *Mineral Resources are based on JORC Code definitions.*
2. *A cut-off grade of 0.5% ZnEq has been applied.*
3. *ZnEq was calculated using conversion factors of 0.814467 for lead, 0.08413 for barite, 1.463388 for gold and 0.019969 for silver, and recoveries of 90% for all elements. Metal prices used were US$2,746/t for zinc, US$2,236/t for lead, US$240/t for barite, US$1,250/oz for gold and US$17/oz for silver.*
4. *Th assumed recovery of 90% was based on historical production records from the Veovaca open pit.*
5. *The applied formula was: ZnEq = Zn% * 90% + 0.814467 * Pb% * 90% + 0.087413 * $BaSO_4$% * 90% + 1.463388 * Au(g/t) * 90% + 0.019969 * Ag(g/t) * 90%.*

6. *Following recognition of a correlation between specific mineral/elemental concentrations and measured SG, a bulk density was calculated for each model cell using regression formula BD = 2.718835 + $BaSO_4$ * 0.01292 + Pb * 0.077334 + Zn * 0.022374.*
7. *Rows and columns may not add up exactly due to rounding.*

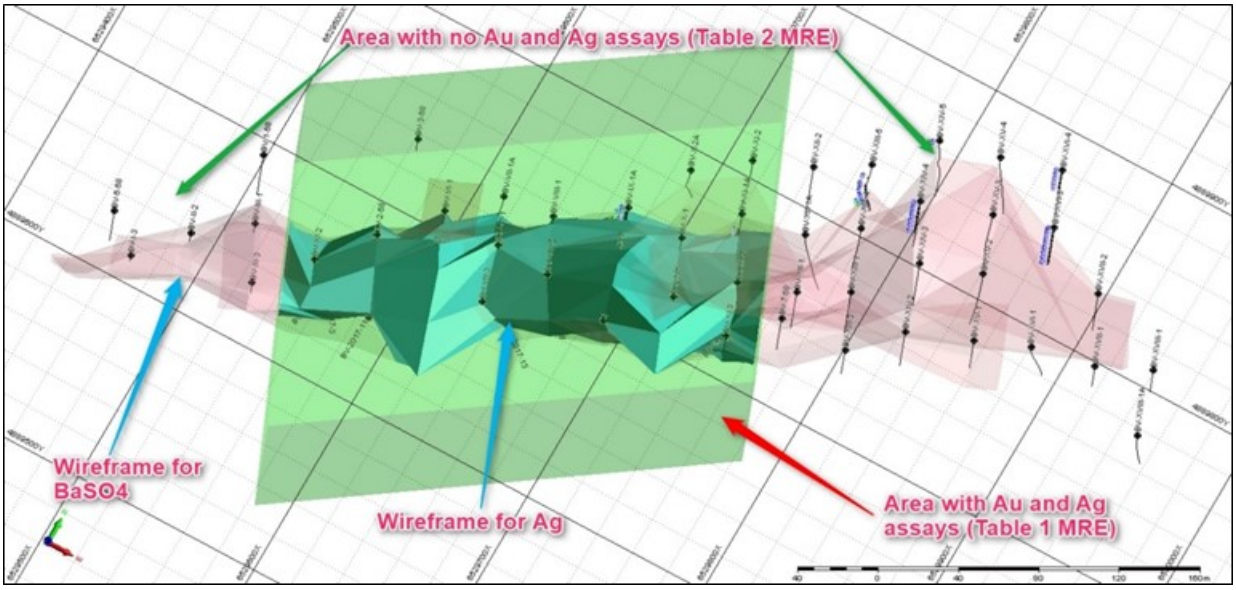

Figure 23: Reporting wireframes (the grid is MGI 1901/Balkans Zone 6)

Underground exploration drives exist at Veovaca, some of which were intersected by the recent drilling. The adit portal(s) of these workings are now collapsed. These are not considered significant, and the Mineral Resource estimates were not depleted for these workings. The Mineral Resource estimate lies beneath the current pit floor and all the mineralisation is considered to be primary (sulphide), based on dill logs.

The mineralisation interpretation and wireframes were generated interactively in 3D for a number of cross sections orientated orthogonal to the geological strike. A 3D block model of the mineralisation was created using Micromine software. Samples were used to interpolate grades into blocks using ordinary kriging with a multiple expanding search pass approach. The block model was validated visually and via trend plot analysis prior to being reported. The following observations apply to the model:

- The geological and mineralisation models first adopted by Energoinvest, and later updated and refined by Eastern Mining, were well defined and robust
- The geological modelling indicated that the mineralisation remained open down plunge to the east-northeast
- Exploration upside exists outside of the resource boundaries particularly at the nearby prospects of Orti and Seliste
- The exploration program for the Concession proposed by Eastern Mining appeared appropriate to continue the development of the interpreted mineralisation.

2.7.2 Reasonable Prospects Hurdle

Clause 20 of the JORC Code requires that reported Mineral Resources must have reasonable prospects for eventual economic extraction, regardless of the classification of the Mineral Resource. The Veovaca Mineral Resource estimate was reviewed and considered to have reasonable prospects for eventual economic extraction on the following basis:

- The deposit is located close to road, power, water and rail infrastructure, approximately 50 km north of the capital, Sarajevo

- The mineralisation contains elevated zinc, lead and barite grades, and supporting silver and gold grades, over a reasonable strike length
- The mineralisation forms a continuous, coherent zone in a favourable orientation which may allow mining with acceptable dilution (subject to robust grade control and mining processes)
- The mineralisation lies immediately beneath the abandoned open pit with reasonable prospects of extraction by way of a conventional cutback
- Conceptual Whittle optimisation using current industry base case parameters indicates there is potential for almost the entirety of the modelled resource
- Results from historical metallurgical testing and previous production of saleable concentrate from a conventional sulphide flotation plant suggest the mineralisation is amenable to beneficiation
- There is potential to increase and upgrade the Mineral Resource with additional drilling.

2.7.3 Mineral Resource Classification

The Mineral Resource was classified in accordance with guidelines contained in the JORC Code. The classification reflects the Competent Persons' views of the strengths and weaknesses associated with the Mineral Resources reported herein, as well as the data upon which the estimate was based. Key criteria that were considered when classifying the Mineral Resource are described in JORC Table 1, which is included in Appendix 3. The Mineral Resource estimates are based on historical drilling results generally obtained between 1967 and 1979, and the drilling of 16 recent twin and/or infill holes during April to October 2017. The Mineral Resource estimate was classified as Indicated and Inferred, reflecting the following observations:

- The close spacing between drillholes
- Accurate survey control (east, north, elevation) for the historical drillholes
- Reasonable confidence in the grade continuity
- Reasonable correlation between the assay results from the twin and infill drillholes (2017), and that of its nearest historical neighbour
- A sufficient number of bulk density determinations.

Confidence in future updates of the Veovaca Mineral Resource estimate can be increased as the project progresses by further resource definition (and extensional) drilling, completing geotechnical studies to feed into pit stability studies or the evaluation of underground mining options, additional metallurgical studies to follow-on from the current studies in progress, and maintaining the currently high standard of quality control and quality assurance of the data collection and management process.

2.8 Exploration Potential and Targets

The Vares mineral field occurs within a well-defined 20 km x 10 km corridor of prospective Triassic stratigraphy with numerous mineralised occurrences. The hydrothermal system driving the mineralisation may be of a Besshi style VMS origin suggesting that mafic units may occur deeper in the stratigraphy. VMS systems typically occur in clusters as appears to be the case in the Vares mineral field, supporting the potential for further discoveries of base metal mineralisation.

The exploration activity for the Vares Project can be approached on scales ranging from near mine, in-mine and regional exploration activities along the 20 km strike length of the prospective Triassic stratigraphy. Notably, exploration within the regional prospect area to the three granted areas is limited to non-destructive exploration activities and is not covered by an exploration Concession.

Adriatic has summarised the outcropping mineral occurrences and available historical exploration information and prioritised them (Figure 22 and Table 11). These mineral occurrences have not been explored with modern exploration techniques

The tonnage and grade reported below (Table 11) are conceptual in nature. In addition, various mine records and reports refer to uncertified quantities and qualities of ore for several nearby mineral occurrences in the district, and whilst not "verified" at the time, represent potential exploration targets for the district beyond that found at Veovaca. The potential quantities and grades of exploration targets listed in Table 11 is conceptual in nature and that there has been insufficient exploration to estimate a Mineral Resource, and that it is uncertain if further exploration will result in the estimation of a Mineral Resource.

A total exploration potential of between 16 Mt and 20 Mt at grades of between 1.4% and 1.7% lead and grades of between 1.6% and 2.0% zinc occur within nine mineral occurrences in the immediate district, as reported by Čičić.

Table 11: Exploration Targets in the immediate district

Deposit	Estimated exploration tonnage potential (kt)	Pb (%)	Zn (%)	$BaSO_4$ (%)	Work completed to support the conceptual exploration tonnage potential
Orti	360–440	1.2–1.4	1.7–2.1	21–26	19 diamond drillholes over an area of 500 m x 150 m
Široki -Radakovac	3,600–4,400	1.4–1.8	1.4–1.8	-	Possibly five diamond drillholes, numerous outcrops of lead-zinc mineralisation, and geochemistry, geophysics and mapping of host rock over an area of 1,000 m x 750 m
Ceo-Sutjeska	1,530–1,870	1.4–1.8	1.4–1.8		
Kraljeva Jama	2,610–3,190	1.1–1.4	1.5–1.9		
Zakrušje	387–473	1.2–1.4	1.6–1.9		
Juraševac-Brestić	900–1,100	0.8–1.0	4.1–5.1		Underground workings over an area of 400 m x 280 m and five diamond drillholes
Selište	1,170–1,430	2.7–3.3	0.2–0.4		At least one diamond hole, and mapping of the host rock over a distance of 400 m x 300 m
Suma	4,950–6,050	1.1–1.3	1.4–1.8		Numerous outcrops of lead-zinc mineralisation, and geochemistry, geophysics and mapping of host rocks over an area of 1,000 m x 2,000 m
Total	**16,260–19,873**	**1.4–1.7**	**1.6–2.0**		

Note: Rounded to reflect uncertainty. Source: After Čičić, 1990.

Given the nature of VMS-style deposits and structural complexity, the potential for additional non-outcropping mineralisation appears reasonable. The use of modern exploration techniques and a systematic approach will improve the potential for discovery.

2.8.1 Veovaca Concession Exploration

Within the Veovaca exploitation Concession, there are opportunities for extensional and incremental additions to the defined resource. Extensional opportunities include the down plunge extension to the northeast such as highlighted in Figure 24 and Figure 25. Given the shallow nature of the mineralisation intersected (i.e. 100 m to 150 m), deeper drilling is a low-risk/high reward proposition.

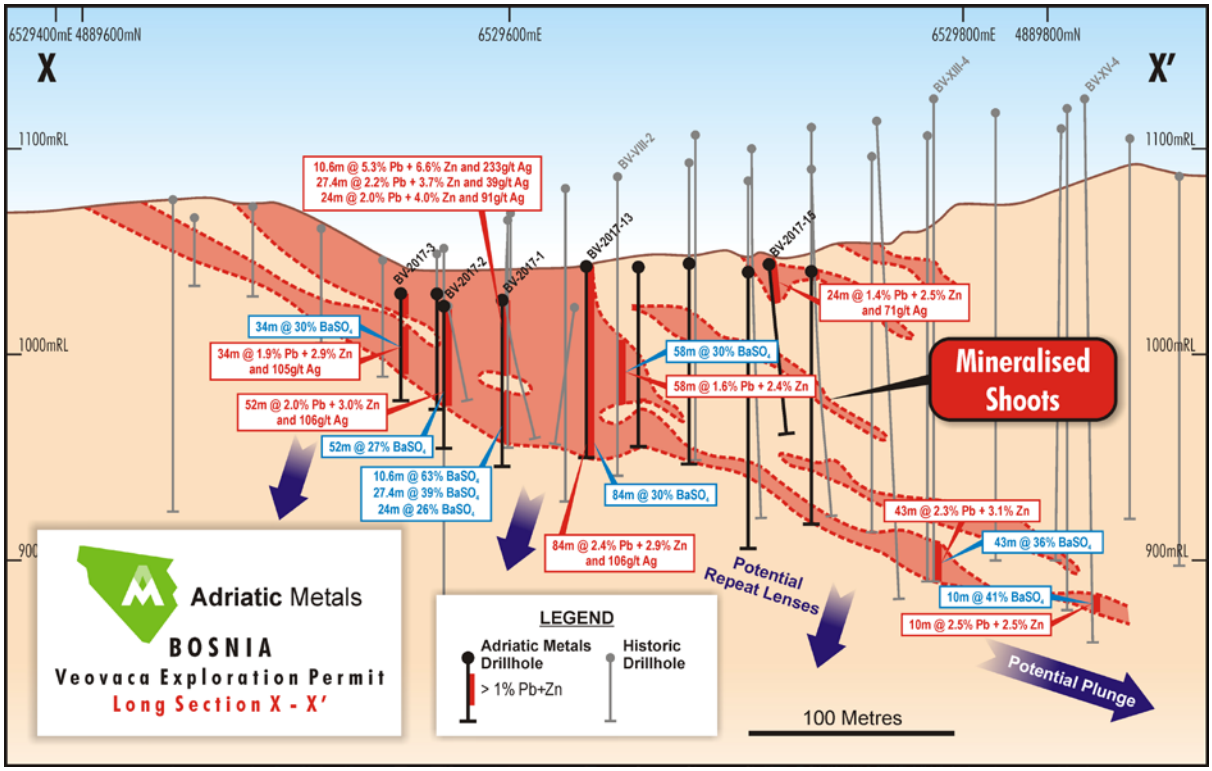

Figure 24: Long sections of Veovaca mineralisation demonstrating potential for repeat lenses below the pit and additional plunging mineralisation

Note: Modified from Adriatic presentation

Other documented prospects include Orti and Seliste prospects, both of which are within 100 m of the main Veovaca mineralisation and have not been explored by Adriatic. The Orti prospect is 100 m to the north of the main Veovaca mineralisation. Adriatic has scanned 18 historical drillholes, some of which have intersected low-grade lead and zinc mineralisation within brecciated limestone. At this stage, the Orti data has not been entered into a database. Seliste is located 100 m to the northeast and little is known about the prospect (Figure 22 and Table 11).

There is little gold or silver analyses available in the prospect drilling on the periphery of the Veovaca resource and future assaying for these elements represents an opportunity to increase the value of the resource.

During exploration drilling, mineralised and waste samples should be subjected to physical properties tests including density, conductivity and magnetic susceptibility to guide future regional geophysical exploration activities. Trace element geochemistry should also be undertaken to provide guidance for lithogeochemical exploration.

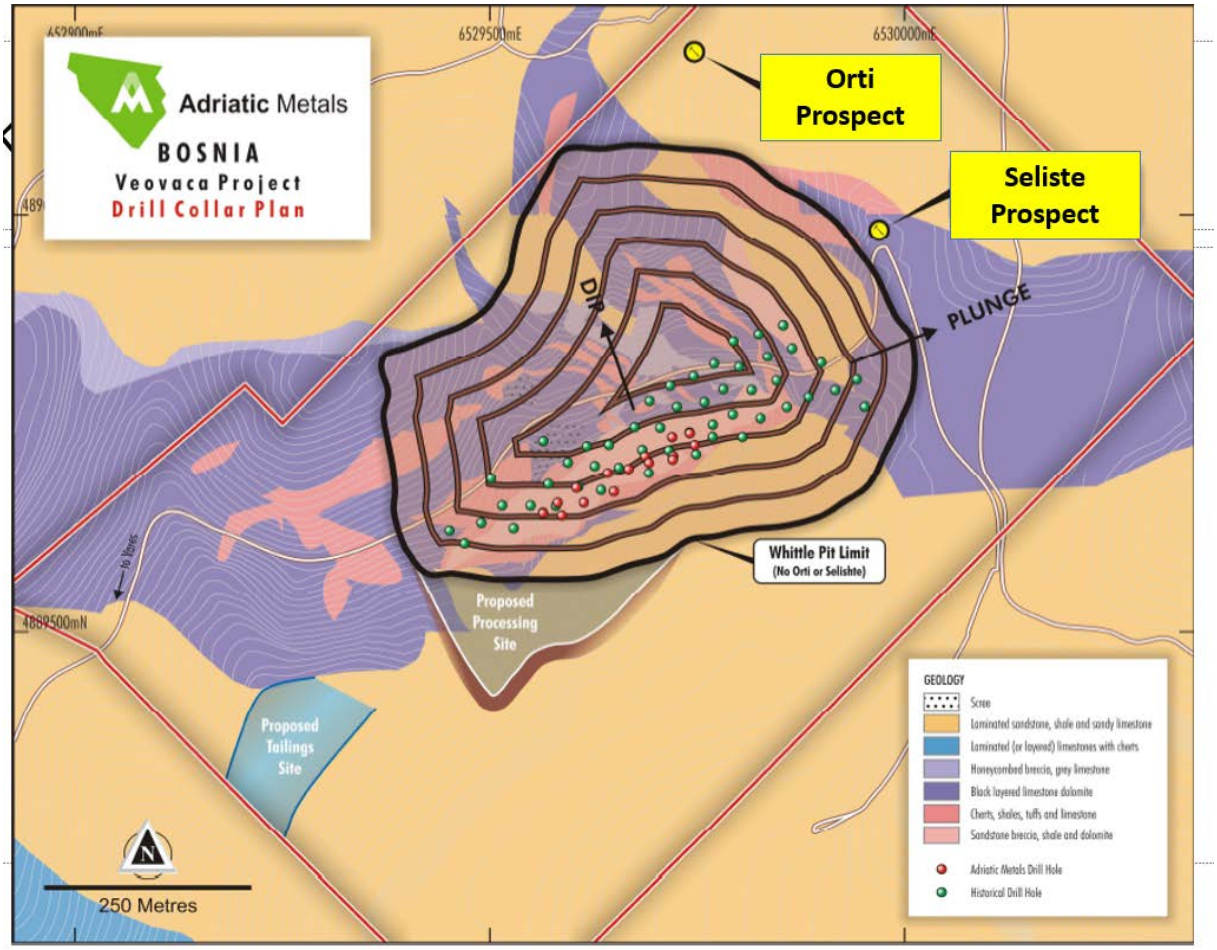

Figure 25: Veovaca whittle pit outline with location of Orti and Seliste prospects (the grid is MGI 1901/Balkans Zone 6)

Note: Figure modified from Adriatic presentation.

2.8.2 Rupice Potential and Targets

The Rupice prospect is the most advanced project in the Rupice area. Historical drilling intersected significant lead, zinc and barite mineralisation and limited mining was undertaken (see Section 2.5). Recent drilling by Adriatic intersected copper, silver and gold mineralisation in addition to lead, zinc and barite. According to Adriatic records, less than one-third of the historical drillholes in Rupice were assayed for gold and silver. Further infill and extensional drilling within the Rupice project has the potential to add to the economics of the project by analysing for copper, gold and silver as well as lead, zinc and barite.

As with Veovaca a full suite of trace elements should be analysed to develop a geochemical model. In addition, physical property tests to determine the geophysical response is recommended.

Historical geophysical programs (IP) from Rupice to Jurasevac defined several chargeability anomalies. This historical data warrants further exploration for repetitions or extensions to the Rupice mineralisation towards Jurasevac (Figure 26).

To the south of Rupice there is a sub-parallel trend with several chargeable anomalies within the Borovica Corridor (Figure 26). The Borovica corridor is within the regional prospect area the Rupice area and whilst these represent significant exploration targets, further exploration at this stage using non-destructive activities (i.e. stream sediment sampling, rock chip sampling and soil sampling) are recommended.

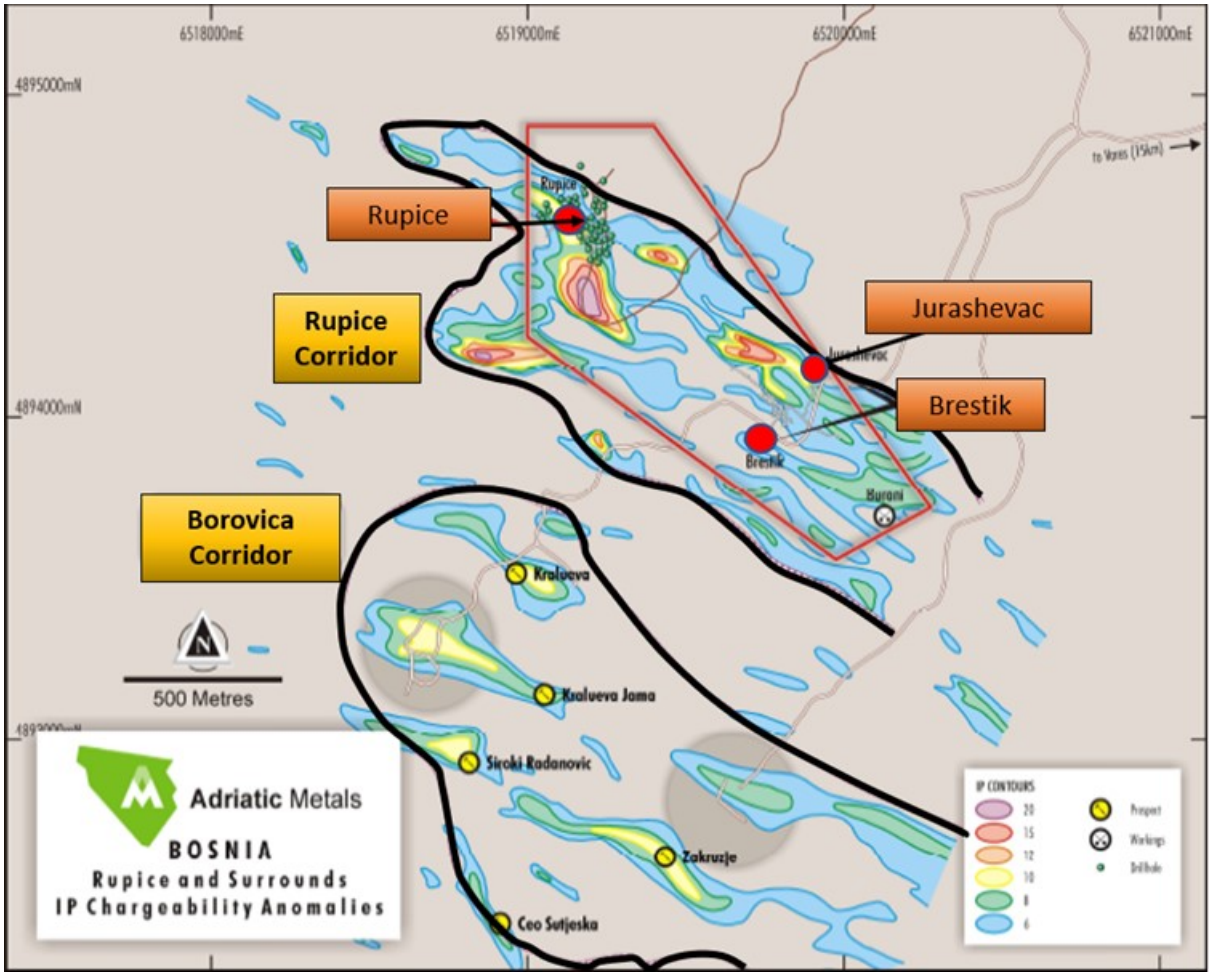

Figure 26: Rupice exploitation Concession with known prospects within it and the Borovica prospects in the regional prospect area to the south (the grid is MGI 1901/Balkans Zone 6)

2.9 Planned Work

Adriatic has planned a systematic exploration program targeting the prospective Triassic stratigraphy. Exploration activities will initially focus on key targets within the granted Concession at Rupice and Veovaca. Activities will include soil geochemistry, geological mapping, IP and gravity surveys followed by drilling on selected targets.

Regional exploration programs will investigate mineral occurrences outside the granted Concession within the regional prospect area. Adriatic has identified several regional exploration targets based on known mineral occurrences. These prospects have been tabulated and ranked in terms of potential size and grade (Table 11 and Figure 22). Exploration activities will consist of non-destructive activities as permitted, including soil sampling, rock chip sampling, geological mapping and geophysical surveys.

Table 12: Use of funds (Australian dollars)

Item	2,018 (Year 1)	2,019 (Year 2)	Total
Exploration Staff	667,000	890,000	1,557,000
New Concession Costs	245,000		245,000
Geochemistry	130,000	35,000	165,000
Geophysics	109,000	58,000	167,000
Drilling	1,969,000	140,000	2,109,000
Assays	446,000	3,000	449,000
Access	84,000	28,000	112,000
Sub-Total Exploration	*3,651,000*	*1,154,000*	*4,804,000*
Metallurgical	210,000	88,000	298,000
Mining	201,000	114,000	315,000
Geotechnical	35,000	114,000	149,000
Hydro	35,000	26,000	61,000
Scoping and Feasibility	158,000	131,000	289,000
Environmental	105,000	0	105,000
Sub-Total Pre-Dev	744,000	473,000	*1,216,000*
Working Capital	1,064,000	950,000	2,013,902
Public Offering Costs	719,000	86,000	804,875
Grand Total	6,178,000	2,661,000	**8,839,000**

Note: includes $839,000 that Adriatic currently has at hand

2.10 Tenure

The Adriatic Concession covers 281.4 ha and is divided into three areas, of which the Veovaca pit and plant site are exploitation and exploration areas, and the Rupice Concession is an exploration area (Table 13). The Concession is granted for a period of 25 years to Adriatic which expires in March 2038. For further details, see the independent solicitors report commissioned by Adriatic.

Table 13: Concession status

Project	Tenement	Field	Area (ha)	Status
Vares	Veovaca pit	1	90.54	Approved – exploitation and exploration
	Veovaca plant site	2	107.68	Approved – exploitation and exploration
	Rupice	3	83.18	Approved – exploration

3 Technical Risks

The key technical risks are as follows:

- The granted exploitation Concession of approximately 200 ha covers the two Veovaca areas. Given the Veovaca conceptual pit, processing and tailings storage facility cover 60% of one of the available areas this limits the expansion potential, particularly for pit depth extension as the conceptual pit abuts against the northern Concession boundary. Adriatic intends to apply for an extension to the Concession.
- The overall prospective Triassic stratigraphy covers an area of approximately 20 km x 10 km, defined as the regional prospect area. Adriatic intends, subject to the ongoing consent of competent state authority and/or private land owners, to conduct non-ground disturbing work as part of the ongoing assessment of the potential of some of the regional prospects that lie outside the existing Concession boundary. Should Adriatic wish to extend its existing license boundaries, it will need to continue its dialogue with the Ministry of Economy ZDC and take advice on the recommended process to do such an extension. Successful exploration at this level of activity will rely on applications for Concessions, which may or may not be granted.
- According to the Resenje (permission Concession document) the current Concession relates to metallic mineral resources including, -lead, zinc and barite analysis and extraction. Historical and recent exploration has identified potential value in silver, gold, antimony and copper as co-products. According to Adriatic, although these elements are not specifically stated, it is in discussion with the Ministry of Mining and expect to have approvals for these additional elements
- Adriatic may seek to apply for more exploration Concessions within the prospective Triassic corridor; however, there is the possibility that these will not be granted.
- Exploration activities are not always successful and, as with any exploration and mining companies, there is the risk that commodity prices may fall below prices that sustain a potential mine.
- The progression of Mineral Resources to increasing levels of confidence is dependent on the outcome of infill drilling. There is no guarantee that additional drilling will lead to progressive upgrades in resource confidence. However, the Company has a strong technical team with local in-country experience, which will mitigate this risk.
- The metallurgy of polymetallic deposit such as Veovaca is complex, and will require additional testing to refine recoveries, and to eventually support a robust zinc equivalence calculation. Marketing of the concentrate products will require further study.

4 Use of Funds

Adriatic proposed exploration expenditure for the initial two years after listing. The total expenditure on exploration in the first two years amounts up to 75% the total funds raised (A$6 million, out of a total A$8 million raised).

The focus of expenditure in Year 1 is to progress the key projects in the Vares Project, particularly the Veovaca deposit and the advanced Rupice project. Drilling activities at Veovaca will be used for infill drilling and targeting near-mine extensions such as Orti and Seliste.

Drilling at Rupice is designed to test the main mineralised zone to enable calculation of a JORC compliant resource, should drilling results be successful. Multielement analysis will be undertaken to confirm the copper-lead-zinc-gold-silver potential of the prospect. Additional exploration programs to explore for extensions at Rupice include costeaning, soil geochemistry, IP and gravity surveys.

Other drilling programs on the Concession will target known mineralisation and extensions such as Jurasevac-Brestik. Additional exploration programs will also include costeaning, soil geochemistry and IP.

Exploration activities will also be undertaken on prospects within the regional prospect area on targets within the prospect Triassic stratigraphy (as defined in Table 11 and Figure 19).

Various mining studies will continue over 18 months in parallel with exploration activities to advance the development plan. Metallurgical test work will be undertaken in conjunction with drilling programs. Other studies may include scoping, feasibility, environmental and engineering studies.

CSA Global has reviewed the exploration programs and is of the opinion the programs are appropriate, and the funds allocated will be sufficient to commence the proposed programs and sustain exploration activities over the first two years. Progressive expenditure will naturally depend on the success of the proposed exploration activities. Adriatic may require additional funds should the outcome of the initial stages of exploration require modifications to the proposed activities.

5 Conclusions

In CSA Global's opinion, the Vares Project has good potential for further exploration success with two key projects, Veovaca and Rupice. The Mineral Resource estimated at Veovaca has potential for extension and additional economic studies to increase the level of confidence in the estimates, and to progress towards the eventual declaration of Ore Reserves.

The approach to exploration has been successful to date and CSA Global also recommends the following:

- Advance Rupice as a high priority and progress geological and mining studies
- Refine the ranking and prioritisation of the prospect table with a higher priority on prospects within the current granted Concession
- Consider an exploration Concession application of the Borovica mineralised trend, highlighted by several chargeable anomalies
- Further evaluate the corridor between Rupice and Jurasevac for similar plunging zones which may have a small plan view "footprint"
- Complete further physical property testwork and lithogeochemical analysis to fully understand the properties of the mineralisation to assist with further exploration
- Consider possible airborne surveys should an apparent physical difference be determined (i.e. magnetic susceptibility or radiometric methods could rapidly screen the prospective stratigraphy if the mineralisation had an appropriate signature)
- Continue to develop and refine the geological model with reference to the genetic origin of the mineralisation (e.g. by way of a PhD or Masters study)
- Further studies of the controls on mineralisation (structural, stratigraphic) to explore for similar settings within the Triassic stratigraphy.

CSA Global recommends the following actions are completed to support further advancement of the Veovaca Mineral Resource estimate:

- Complete a preliminary pit optimisation study using all resource categories combined to estimate the following:
  - Economic potential of the project
  - Amount of Inferred material that will occur within the limits of optimal pit shells
  - Requirements for further drilling to upgrade the resource categories.
- Conduct supplementary drilling:
  - for further resource definition (silver and gold) and classification upgrade
  - to provide sufficient rock quality data (RQD) for pit or underground optimisation studies
  - for additional metallurgical studies.
- Conduct final pit optimisation study when the economic potential of the project is established, and supplementary drilling is complete.
- Maintain QAQC procedures to ensure high-quality data is available for subsequent resource upgrades.

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7 Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Wikipedia www.wikipedia.org

Alpine orogeny	Period of mountain building that affected the ancient Tethyan ocean. It began in the Triassic continuing through to the Late Oligocene and Miocene.
Assay	A measured quantity of material within a sample.
Barite	A mineral predominately consisting of barium and composition $BaSO_4$.
Basement	Highly folded, metamorphic or plutonic rocks, often unconformably overlain by relatively undeformed sedimentary beds (or cover).
Breccia	Coarse, clastic, sedimentary rock, the constituent clasts of which are angular. The term may also be applied to angular volcanic rocks from a volcanic vent.
Carboniferous	Penultimate period of the Paleozoic era, preceded by the Devonian and followed by the Permian. It began about 359.2 Ma ago and ended about 299 Ma ago.
Collar	Geographical co-ordinates of a drillhole or shaft starting point.
Concession	System of granted tenure which could refer to either exploration or exploitation.
Costeans	Trench completed for geological mapping and sampling.
Cretaceous	Third of the three periods included in the Mesozoic Era. It began 146 Ma ago and ended 65.5 Ma ago.
Copper	Copper is a chemical element with symbol Cu and atomic number 29. It is a soft, malleable, and ductile metal with very high thermal and electrical conductivity.
Cut-off grade	Threshold above which material is selectively mined or queried.
Dinarides	Dinarides occur in two separate regions: in the Herzegovina area (Outer Dinarides) to the south and in Bosnia to the north. The Inner Dinarides (Bosnia) are composed of deeply weathered clastic, metasedimentary. metamorphic and igneous rocks. They included mostly Palaeozoic-Triassic rocks and the Dinaride Ophiolite Zone.
Faults	Approximately plane surface of fracture in a rock body, caused by brittle failure, and along which observable relative displacement has occurred between adjacent blocks.
Flysch	Sedimentary facies term used to describe a thick succession of redeposited, deep-sea, clastic material.
Gold	Native gold is an element and a mineral. Gold occurs in hydrothermal veins deposited by ascending solutions, as disseminated particles through some sulphide deposits, and in placer deposits.
Lead	Lead is a chemical element with symbol Pb, atomic number 82. It is a heavy metal that is denser than most common materials. Lead is soft and malleable and has a relatively low melting point.
Mesozoic	Geologic age that began with the Triassic approximately 251 Ma ago and ended around 65.5 Ma at the start of the Cenozoic. The Mesozoic comprises the Triassic, Jurassic, and Cretaceous Periods.
Nappe sliding (slide, gravity gliding)	The movement of rock bodies in response to gravitational instability along particular planes in unstable regions which leads to the formation of thrust.
Ophiolite melange	A linear belt of highly deformed rocks, including tectonic mélanges, lenses of ophiolites, deep-sea sediments which is interpreted as the boundary between two collided continents or island arcs.

Palaeozoic	First (542–251 Ma) of the three eras of the Phanerozoic.
Quaternary	Either a sub-era of the Cenozoic Era of geologic time that began 1.806 Ma ago and continues to the present day.
Schist	Regional metamorphic rock of pelitic composition which displays a schistosity. Schists are coarser-grained than phyllites, having a grain size greater than 1 mm.
Sedimentary Exhalative	(SedEx) Exhalative processes associated with the upwelling of mineralising fluids into submarine sedimentary environments, whereby mineral deposits, usually of base-metal sulphides, are formed.
Siliciclastic sediments	Lithified, conglomeratic, siliciclastic rock which is unsorted, with sand and/or coarser particles dispersed through a mud matrix.
Silurian	Third (443.7–416 Ma) of six periods of the Palaeozoic Era.
Triassic	Earliest (251–199.6 Ma) of the three periods of the Mesozoic Era.
VMS	Volcanogenic massive sulphide deposits formed in close temporal association with submarine volcanism by hydrothermal circulation and exhalation of sulphides which are independent of sedimentary processes. When deposited into sedimentary rocks may be termed Besshi Style VMS.
Zinc	Zinc is a chemical element with symbol Zn and atomic number 30. It is the first element in group 12 of the periodic table.

8 Abbreviations and Units of Measurement

%	percent
°C	degrees Celsius
AAS	atomic absorption spectroscopy
Adriatic	Adriatic Metals Limited
AIG	Australian Institute of Geoscientists
ALS	ALS Laboratory Services
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Au	gold
AusIMM	Australasian Institute of Mining and Metallurgy
BiH	Bosnia and Herzegovina
CRM	certified reference material
CSA Global	CSA Global Pty Ltd
g/t	grams per tonne
ha	hectares
IP	induced polarisation
IPO	Initial Public Offering
ITAR	Independent Technical Assessment Report
JORC Code	Australasian Code for Reporting of Mineral Resources and Ore Reserves
km	kilometre(s)
km^2	square kilometre(s)
koz	kilo-ounces
kt	kilo-tonnes
m	metre(s)
M	million(s)
mm	millimetres
Mt	million tonnes
oz	ounce(s)
QAQC	quality assurance and quality control
RQD	rock quality data
SedEx	sedimentary exhalative
SGS	SGS Geochem Services
VMS	volcanogenic massive sulphide
XRF	x-ray fluorescence
ZnEq	zinc equivalent

Appendix 1: Tenement Schedule

The Adriatic Concession cover 281.4 ha and is divided into three areas, of which the Veovaca pit and plant site are exploitation and exploration areas and the Rupice Concession is an exploration area (see table below).

Concession Status

Project	Tenement	Field	Area (km^2)	Status
Vares	Veovaca pit	1	90.54	Approved – exploitation and exploration
	Veovaca plant site	2	107.68	Approved – exploitation and exploration
	Rupice	3	83.18	Approved – exploration

Appendix 2: Drill Collar Listings

Please note: the full list of intersections is available on the Adriatic Metals Limited website at: http://www.adriaticmetals.com/projects/veovaca/#data

Veovaca Drillholes

Hole ID	East	North	RL	Total depth (m)	Azimuth (grid north)	Dip
BV-I-3	6529469	4889606	1066	32.5	0	-90
BV-II-2	6529490	4889631	1071	43.0	0	-90
BV-III-1	6529515	4889651	1061	47.0	0	-90
BV-III-3	6529529	4889624	1056	50.5	0	-90
BV-IV-2	6529549	4889651	1045	55.5	0	-90
BV-IX-1	6529684	4889718	1093	145.8	0	-90
BV-IX-1A	6529674	4889745	1106	156.5	0	-90
BV-IX-3	6529692	4889690	1078	102.0	0	-90
BV-V-3	6529580	4889651	1048	75.5	0	-90
BV-VI-2	6529607	4889674	1065	111.0	0	-90
BV-VII-1	6529626	4889699	1080	124.0	0	-90
BV-VII-1A	6529617	4889723	1081	152.0	0	-90
BV-VII-3	6529634	4889670	1074	106.0	0	-90
BV-VIII-1	6529644	4889724	1092	137.8	0	-90
BV-VIII-2	6529656	4889697	1086	145.5	0	-90
BV-X-1	6529705	4889745	1101	195.0	0	-90
BV-X-2	6529716	4889718	1084	128.0	0	-90
BV-X-2A	6529693	4889776	1119	243.0	0	-90
BV-XI-1	6529741	4889739	1090	160.5	0	-90
BV-XI-1A	6529726	4889769	1109	192.0	0	-90
BV-XI-3	6529749	4889713	1078	117.1	0	-90
BV-XII-1	6529769	4889748	1095	182.0	0	-90
BV-XII-1A	6529759	4889775	1113	232.0	0	-90
BV-XIII-1	6529793	4889761	1106	207.3	0	-90
BV-XIII-4	6529782	4889791	1123	233.0	0	-90
BV-XIII-5	6529771	4889821	1136	236.0	0	-90
BV-XIV-2	6529826	4889756	1103	171.3	0	-90
BV-XIV-3	6529816	4889790	1117	217.6	0	-90
BV-XIV-4	6529801	4889817	1126	230.5	0	-90
BV-XIV-5	6529794	4889848	1136	254.2	0	-90
BV-XV-2	6529846	4889801	1109	208.7	0	-90
BV-XV-3	6529835	4889829	1119	243.0	0	-90
BV-XV-4	6529824	4889857	1127	264.5	0	-90
BV-XVII-2	6529900	4889822	1086	189.0	0	-90
BV-XVIII-1	6529942	4889802	1066	135.0	0	-90
BV-XVIII-1A	6529952	4889770	1056	152.0	0	-90
BV-2017-1	6529604	4889673	1025	80.0	0	-90
BV-2017-2	6529582	4889655	1023	69.1	325	-80
BV-2017-3	6529564	4889643	1023	52.0	331	-60
BV-2017-4	6529642	4889690	1041	92.0	0	-90

Hole ID	East	North	RL	Total depth (m)	Azimuth (grid north)	Dip
BV-2017-5	6529692	4889703	1041	82.2	0	-90
BV-2017-6	6529667	4889695	1041	89.0	336	-77
BV-2017-7	6529721	4889707	1040	27.0	340	-75
BV-2017-8	6529721	4889711	1040	123.3	344	-75
BV-2017-9	6529747	4889724	1041	124.6	356.1	-77.1
BV-2017-10	6529564	4889642	1029	60.5	357	-80
BV-2017-11	6529587	4889639	1029	72.9	358	-60
BV-2017-12	6529613	4889655	1029	87.0	358	-60
BV-2017-13	6529649	4889668	1045	105.4	315	-65
BV-2017-14	6529687	4889711	1044	80.0	323	-75
BV-2017-15	6529720	4889734	1044	103.0	357	-74
BV-2017-16	6529741	4889738	1044	132.9	341	-70

Rupice Drillholes

Hole ID	East	North	RL	Total depth (m)	Azimuth (grid north)	Dip
BR-1-86	6519156	4894660	1181	122.0	0	-90
BR-9-82	6519181	4894614	1181	98.0	0	-90
BR-10-81	6519202	4894619	1192	137.0	0	-90
BR-14a-80	6519178	4894541	1202	43.7	0	-90
BR-19-80	6519169	4894584	1185	90.4	0	-90
BR-20-80	6519187	4894593	1190	80.0	0	-90
BR-24-82	6519203	4894584	1197	85.5	0	-90
BR-25-81	6519219	4894597	1199	126.0	0	-90
BR-27b-81	6519204	4894553	1204	71.5	0	-90
BR-29-82	6519230	4894578	1205	114.5	0	-90
BR-30-82	6519248	4894586	1212	144.0	0	-90
BR-33-82	6519245	4894552	1211	120.0	0	-90
BR-34-82	6519199	4894487	1222	55.0	0	-90
BR-46-86	6519210	4894655	1195	162.0	0	-90
BR-50-86	6519217	4894674	1202	183.0	0	-90
BR-58-86	6519181	4894692	1196	179.0	0	-90
BR-59-86	6519152	4894682	1186	156.0	0	-90
BR-60-86	6519132	4894675	1177	113.0	0	-90
BR-75-86	6519181	4894718	1192	195.0	0	-90
BR-76-89	6519240	4894732	1203	250.0	0	-90
BR-78-89	6519111	4894767	1180	206.0	0	-90
BR-79-89	6519168	4894778	1176	221.0	0	-90
BR-1-17	6519214	4894715	1200	255.4	0	-90
BR-4-17	6519165	4894705	1195	190.0	0	-90
BR-6-17	6519185	4894657	1180	155.0	0	-90
BR-7-17	6519195	4894632	1182	145.0	0	-90

Appendix 3: Site and Laboratory Visits

Dr Belinda van Lente, an employee of CSA Global, visited the SGS Geochem Services (SGS) laboratory and the ALS Laboratory Services (ALS) laboratory, both located in Bor, Serbia, on 12 January 2018.

This visit was required to inspect the two main laboratories responsible for the preparation of samples from the 2017/2018 sampling and drilling campaigns at Veovaca and Rupice by Adriatic.

ALS is a sample preparation only facility, from which pulps are sent to either ALS Romania or ALS Ireland for analysis. SGS is a sample preparation and assay facility, with capabilities for both AAS and ICP-MS analysis.

CSA Global was given full access to both laboratories and the respective Company personnel to observe and discuss sample preparation and assay procedures, the facilities, and equipment.

It is CSA Global's opinion that both the ALS and SGS facilities and equipment are in good working order, personnel are well trained and knowledgeable, and best industry standards were observed for sample preparation (and analysis in the case of SGS).

Dr Belinda van Lente, an employee of CSA Global, visited the Veovaca and Rupice projects, located in BiH, over three days from 13 to 15 January 2018.

The site visit was required for the purposes of inspection, ground truthing, review of activities, and collection of information and data.

Objectives included:

- Inspect the principal assets within the Veovaca and Rupice projects
- Complete initial geological assessment, including outcropping mineralisation and, areas of historical exploration and mining
- Review access in the tenement areas
- Review geology within the tenements.

CSA Global was given full access to the relevant tenements and discussions were held with Adriatic personnel to obtain information on the planned exploration work.

The following conclusions were made from the site visit:

- Adriatic geologists associated with the project are familiar with the geology, deposit type and mineralisation within the tenements.
- Selected historical exploration, sampling and mining locations, within relevant tenements, were confirmed with visual inspection and located by handheld GPS.
- Vares town sits between the Rupice and Veovaca deposits. Access is generally good throughout the project, with both deposits located close to road, power, water and rail infrastructure. Veovaca is approximately 50 km north of the capital Sarajevo. Several dirt roads, which includes forest tracks, are present and can be readily negotiated with a four-wheel drive vehicle.
- Positions of randomly selected drillholes were verified by means of DGPS, for the 2017 drilling at Veovaca, and both the historical and 2017 drilling at Rupice.
- Sampling and logging procedures were reviewed and found to be suited to the deposit type and style of mineralisation, as currently understood.
- Density determination is by the water immersion method. The procedure and equipment for density measurement was reviewed and is considered acceptable.
- Sample storage and security is considered good.

- The mineralisation at both Veovaca and Rupice contains elevated zinc, lead and barite grades, and supporting silver and gold grades, over reasonable strike lengths.
- At Veovaca, the mineralisation lies immediately beneath the abandoned open pit, as confirmed by 2017 drilling.
- Mineralisation at both Veovaca and Rupice form continuous, coherent zones, tested by 2017 drilling and continued exploration.
- Drill core was inspected for Veovaca (BV-2017-1) and Rupice (BR-1-17). The hangingwall and footwall of the deposits consist of predominantly alternating red fine-grained sandstones. The mineralogical assemblage of the mineralised breccia typically consists of pyrite, sphalerite, galena, chalcopyrite and barite. This was visually confirmed. None of the rocks in the drill core are magnetic (tested with swing magnetic pen).
- Exposure on the pit walls of Veovaca consists of sedimentary packages, that have been intensely folded and faulted. The main breccia unit, which contains the majority of the mineralisation, appears to be plunging to the east-northeast.
- Locations of historic adits were sighted and ground-truthed with DGPS.
- Due to recent snow cover at the time of the site visit, it was not possible to review outcrops other than that exposed at Veovaca open pit, and small isolated outcrops at Rupice.

The method of exploration proposed by the Adriatic is systematic and will include the following:

- Mapping of geology and structural zones of interest.
- Soil and stream sampling for geochemical testing.
- Geophysics – ground magnetic and IP surveys to identify structural targets and zones of alteration.
- Drill testing – in future, programmes are expected for appropriate targets with drill spacing and inclination appropriate to the target. The method of choice is diamond drilling.

CSA Global recognise the potential for lead and zinc, with associated barium, gold and silver, mineralisation on the Veovaca and Rupice projects based on the data available and following site inspection. The proposed activities of the Adriatic work program are considered appropriate for the next stage of target development and testing.

Appendix 4: JORC Table 1

Section 1: Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.*	Drilling comprised a total of 61 diamond core holes for 9,402.8 m made up of 51 historical holes for 8,021.9 m and 16 recent holes for 1,380.9 m. 629 m of adit and crosscut were developed on several levels and sampled however, the assays were not used in the resource estimate. 21 surface trenches were dug for a total length of 316 m and sampled, however the assays were not used in the resource estimate.
	• *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.*	Historical sampling used whole core, whilst recent sampling used half core of either PQ or HQ diameter. Both methods produced a representative sample. Most of the sampling was at 2 m intervals and produce a sample weighing around 10 kg. All sampling was in fresh material.
	• *Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done, this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	Diamond drilling was used to obtain 2 m samples from which 10 kg of material was pulverised to produce a 30 g charge for fire assay, a 5 g charge for multi-element ME-ICPORE and/or AAS for silver, lead and zinc, and a further charge of 20 g for x-ray fluorescence (XRF) determination of barite. The mineralisation in the deposit appears uniform and as such high-grade veinlets are not typically present.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	Historically drill core diameter typically commenced with either PQ (122 mm) or HQ (95 mm), and all holes reduced core size once at varying downhole depths. Smallest diameter at the end of hole was NQ (47 mm). Recent drilling used a split tube and drilled as either PQ3 (83 mm) or HQ3 (61 mm).
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.*	Core recovery was estimated using the drillers recorded depth marks against the length of the core recovered. There was no significant core loss with the historical drilling returning 79.5% recovery (82.1% in ore) and the recent drilling returning 93.1% recovery.
	• *Measures taken to maximise sample recovery and ensure representative nature of the samples.*	A split tube system was employed to ensure that all core was adequately preserved in the barrel. The split tube was ejected from the barrel intact thereby maintaining the integrity of the core.
	• *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	There appears to be no potential sample bias as there was no regular or excessive loss of core. A number of diamond twin holes returned similar grades in both tenor and width.

Criteria	JORC Code explanation	Commentary
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	Geological core logging to a resolution of 20 cm was undertaken with a record kept of, inter alia, colour, lithology, weathering, grain size, mineralisation, alteration, etc. Diamond core is stored at the Company's warehouse. The data is believed to be of an appropriate level of detail to support a resource estimation.
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.*	Logging was qualitative. Diamond core was photographed.
	• *The total length and percentage of the relevant intersections logged.*	All drilled intervals were logged and recorded.
Subsampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.*	Historically whole core was collected for assay. Core from the recent drilling was machine sawn and half core taken for analytical analysis purposes.
	• *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.*	All sampled material was core.
	• *For all sample types, the nature, quality and appropriateness of the sample preparation technique.*	Collection of either whole or half core ensured the nature, quality and appropriateness of the collected sample. The sample preparation of crushing the entire sample to mm size prior to splitting off a 100–250 g charge (either by cone/quarter or riffle) for pulverisation provides an appropriate and representative sample for analysis.
	• *Quality control procedures adopted for all subsampling stages to maximise representivity of samples.*	Whole rock was collected for the entirety of the historical drilling whilst half core was collected for the entirety of the recent drilling, as such there was consistency throughout the two drilling programs and undertaken by qualified geoscientists. Each subsample is considered to be representative of the interval.
	• *Measures taken to ensure that the sampling is representative of the in-situ material collected, including for instance results for field duplicate/second-half sampling.*	Sampling of either the whole or half core is representative of the in-situ material. Additionally, samples were sent to umpire laboratories for assaying. All QAQC and umpire laboratory samples returned satisfactory results.
	• *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Sample sizes collected were considered appropriate to reasonably represent the material being tested.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	Historical assays were undertaken at leading Government Institutes and fully reported and certificated at the time of release. Lead and zinc were analysed using a polarography determination. The sample was digested in aqua regia then the solution stabilisation before polarography. Barite was analysed using a gravimetric method. The sample was dissolved in a mixture of aqua regia and sulphuric acid before gravimetric determination in platinum cups. Not routine but on occasion lead and zinc were determined by atomic absorption spectroscopy (AAS). The use of polarographic techniques and AAS was appropriate, accurate and reliable at that time. Check assays on selected historical pulps returned very similar values to better than 0.9 correlation coefficient. Recent assays were undertaken at the accredited laboratories of either ALS (Bor) and/or SGS (Bor). Both laboratories have full certification. Gold was assayed by fire, lead, zinc and silver used an ICP-MS technique, and barite was determined using and XRF technique. All

Criteria	JORC Code explanation	Commentary
		techniques are appropriate for the element being determined. Samples are considered a partial digestion when using an aqua regia digest and total when using fire assay.
	• *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.*	Standard chemical analyses were used for grade determination. There was no reliance on determination of analysis by geophysical tools.
	• *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	QAQC procedures included the insertion of Certified Reference Materials (CRMs) and blank material for each and every sample batch at a ratio of better than 1:15. External laboratory checks (Round Robin) were performed on selected samples. All QAQC results and internal laboratory duplicates were satisfactory and demonstrate acceptable levels of accuracy and precision.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.*	A number of geoscientists both internal and external to Eastern Mining have verified the intersections.
	• *The use of twinned holes.*	Five twin or near-twin diamond core holes were drilled to check the validity of the historical assays in both grade and width of mineralisation. In each case, it was clear that the new assays and the historical assays matched both in value and in geometry.
	• *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.*	Historical data was captured by Aurum geological consultants into a relational database Subsequent use of the data has found no material error in the database after comparing the principal collar, survey, assay and geology files to the source scans being either original graphical drill logs, collar plans, cross sections, long sections or geology plan maps. Recent field data was uploaded at point of collection using a Toughbook and verified at point of entry. Data is stored on the Virtual Cloud and at various locations including Perth, Western Australia. It is regularly backed-up.
	• *Discuss any adjustment to assay data.*	No adjustments were necessary.
Location of data points	• *Accuracy and quality of surveys used to locate drillholes (collar and downhole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.*	Drillhole collars were surveyed by registered surveyors using either total station (historic) or DGPS (recent) to better than 5 cm accuracy. Drillholes were downhole surveyed at regular intervals using an Eastman camera arrangement. Drillholes rarely deviated from their set position at ground level.
	• *Specification of the grid system used.*	The grid system used MGI 1901/Balkans Zone 6.
	• *Quality and adequacy of topographic control.*	The topographic surface of the deposit was generated from a combination of DGPS and GPS survey.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.*	Drillhole density across the deposit (including all drilling) is approximately 30 m x 30 m closing in to better than 20 m x 20 m in places.
	• *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*	The data spacing and distribution is sufficient to demonstrate spatial and grade continuity of the mineralisation to support the classification of the Mineral Resources reported.

Criteria	JORC Code explanation	Commentary
	• *Whether sample compositing has been applied.*	Sample composite was not employed.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	The mineralisation occupies an upright isoclinal synform with mostly vertical drilling, although recent drilling was between -60° and vertical. The drilling orientation is not considered to have created any bias in sampling.
	• *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	Recent diamond drilling at various orientations does not reveal any bias regarding the orientation of the mineralised horizons.
Sample security	• *The measures taken to ensure sample security.*	Chain of Custody of digital data is managed by the Company. Physical material was stored on site and, when necessary, delivered to the assay laboratory. Thereafter laboratory samples were controlled by the nominated laboratory which to date has been ALS and SGS. All sample collection was controlled by digital sample control file(s) and hardcopy ticket books.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	No audits have been undertaken.

Section 2: Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.*	The Veovaca deposit is located within the Company's 100% owned Concession number 04-18-21389-1/13 located 10km east of Vares in Bosnia. There are no known third party issues other than normal royalties due to the State.
	• *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	The Concession is believed to be in good standing with the governing authority and there is no known impediment to the Concession remaining in force until 2038 (25 years), subject to meeting all necessary Government requirements.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	Modern exploration commenced with the work of Energoinvest in the late 1960s. 24 holes were drilled between 1968 and 1970 for an advance of 2,919 m. From 1969 onwards for a period of two years, underground development of 629 m of drives and crosscuts was made, and 21 surface trenches dug for a total length of 316 m. After 1979, a further 27 holes were drilled for an advance of 5,102.9 m. Material from all these programs was routinely analysed for lead, zinc, and barite, and on occasion silver and gold. The deposit was the subject of a number of resource and reserve estimates between 1980 and 1989. The deposit was mined between 1984 and 1987. This work is documented in any number of reports and variously certified by those geoscientists and Institutes that undertook the work. The work is considered a standard equal to that prevalent within today's exploration industry.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Veovaca deposit is suggested as being of a sedinmentary exhalative (SedEx) style. A Triassic sedimentary package is folded into an east-northeast to west-southwest isoclinal synform with an upright to sub-vertical north-northwest dipping axial plane. The synform appears to plunge to the east-northeast. The core of the syncline consists of a polymictic breccia containing iron, zinc and lead sulphides, with barite (black) in the matrix. The synform is surrounded by a package predominantly made up of alternating red fine-grained sandstones.

Criteria	JORC Code explanation	Commentary
Drillhole information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drillholes:* o *easting and northing of the drillhole collar* o *elevation or RL (Reduced Level – elevation above sea level in metres) of the drillhole collar* o *dip and azimuth of the hole* o *downhole length and interception depth* o *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	Exploration results are not being reported.
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated.*	Exploration results are not being reported.
	• *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.*	Exploration results are not being reported.
	• *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	Exploration results are not being reported.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.*	
	• *If the geometry of the mineralisation with respect to the drillhole angle is known, its nature should be reported.*	The mineralisation is confined to a tight isoclinal upright synform with most holes drilled vertical with some later holes drilled with a dip between 60° and 80° to the northwest or north (grid). The drill sections are approximately perpendicular to the strike of the synform. Drilling is either completely within ore or barren surrounding rock with the tightness of the drill spacing able to reasonably determine the contact(s). It should be noted that the mineralisation orientation was demonstrated when the exploration drives were developed, so there is strong support for the interpretation of the mineralisation orientation independent of the surface drilling.
	• *If it is not known and only the downhole lengths are reported, there should be a clear statement to this effect (e.g. 'downhole length, true width not known').*	Exploration results are not being reported.

Criteria	JORC Code explanation	Commentary
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drillhole collar locations and appropriate sectional views.*	Relevant maps and diagrams are included in the body of the report.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	Exploration results are not being reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	No substantive exploration data not already mentioned in this table has been used in the preparation of this Mineral Resource estimate.
Further work	• *The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).*	Further work will be focused on infilling the core of the mineralisation in order to upgrade to a higher Mineral Resource. classification, and testing for dip extensions and strike extensions. Drilling will also be undertaken for geotechnical purposes.
	• *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	Diagrams have been included in the body of this report.

Section 3: Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section)

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.*	Data used in the Mineral Resource estimate was provided as a validated Micromine database, which in turn was sourced from a validated database prepared by Aurum Consultants. In both instances validation routines were employed to confirm validity of data. Checks were made to ensure that there were no discrepancies between the Micromine and Aurum databases. Key files (collar, survey, geology, assay) were validated to ensure that they were populated with the correct original data.
	• *Data validation procedures used.*	The resultant database was validated for potential errors in Micromine software using specially designed processes. Validation of the data import include checks for overlapping intervals, missing survey data, missing assay data, missing lithological data, and missing collars. The de-surveyed drillholes were then also verified visually for consistency.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.*	The site was visited on a number of occasions by Robert Annett in order to plan and undertake the recent drilling programs, oversee the preparation of the samples and their dispatch to the various laboratories. Mr Annett assumes responsibility for the data components and geological modelling. Dmitry Pertel assumes responsibility for the grade interpolation and reporting of the Mineral Resource estimate and has not completed a site visit.
	• *If no site visits have been undertaken, indicate why this is the case.*	A site visit has been undertaken.
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.*	Sufficient drilling has been conducted to reasonably interpret the geology and the polymetallic mineralisation. The mineralisation is traceable between numerous drillholes and drill sections.
	• *Nature of the data used and of any assumptions made.*	Geological logging in conjunction with assays has been used to interpret the mineralisation. A cut-off grade of 0.3% was used to define the mineralised lead and zinc envelopes. A low-grade and high-grade cut-off of 5% and 33% was used to define the low and high grade mineralised barite envelops. A low-grade and high-grade cut-off of 15 ppm and 100 ppm was used to define the low and high grade mineralised silver envelopes. A low-grade and high-grade cut-off of 0.2 ppm and 0.5 ppm was used to define the low and high-grade mineralised gold envelopes.
	• *The effect, if any, of alternative interpretations on Mineral Resource estimation.*	Alternative interpretations are likely to materially impact on the Mineral Resource estimate on a local, but not global basis.
	• *The use of geology in guiding and controlling Mineral Resource estimation.*	Geological logging in conjunction with assays has been used to interpret the mineralisation. Available historical maps and sections have been used to guide interpretation.
	• *The factors affecting continuity both of grade and geology.*	Continuity is affected by the synformal nature of the host rocks and associated mineralisation and the apparent down plunge extension of the structure (and mineralisation) to the east-northeast.

Criteria	JORC Code explanation	Commentary
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	Currently, two main mineralised zones have been defined at the Veovaca deposit with the following dimensions: • Approximately 570 m along the strike at approximately 248° with a dip of 70°. Mineralised zone has a variable width of up to 60 m. The maximum depth is up to 275 m from the surface. The Competent Person is satisfied that the dimensions interpreted are appropriate to support Mineral Resource estimation.
Estimation and modelling techniques	• *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.*	The Mineral Resource estimate was based on surface diamond drill core using ordinary kriging (OK) to form 10 m x 10 m x 10 m blocks. The block model was constrained by wireframes modelled using sectional interpretation separately for each element and for low and high-grade domains for barite, gold and silver. The applied cut-off grades were: • 0.3% Zn for zinc envelopes • 0.3% Pb for lead envelopes • 5% $BaSO_4$ for low-grade barite envelopes • 33% $BaSO_4$ for high-grade barite envelopes • 0.2 g/t Au for low-grade gold envelopes • 0.5 g/t Au for high-grade gold envelopes • 15 g/t Ag for low-grade silver envelopes • 100 g/t Ag for high-grade silver envelopes. Micromine software was used to generate the wireframes and for block modelling. Hard boundaries were used between mineralised lenses at each domain. The drillhole data were composited to a target length of 2 m based on the length analysis of raw intercepts. Geostatistical analysis was completed for all elements, and averaged long ranges were employed to justify the search ellipse – 51 m along strike, 43 m down dip and 25 m cross dip. Interpolation parameters were: • Search pass 1: 2/3 of the variogram log ranges. Minimum samples number – 3, minimum holes – 2, maximum samples number – 16. • Search pass 2: Full semi-variogram ranges. Minimum samples – 3, maximum samples – 16, minimum holes 2. • All subsequent search passes: incremented by full semi-variogram ranges in each direction. Minimum samples – 1, maximum samples – 16, minimum holes – 1. • Block discretisation 5*5*5. The optimal parent cell size was selected in the course of block modelling based of 20 m x 20 m exploration drilling. Classical statistical analysis was used to identify grade domains for barite, gold and silver. The Competent Person is satisfied that estimation and modelling techniques are appropriate to support Mineral Resource estimation.

Criteria	JORC Code explanation	Commentary
	• *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.*	Data on previous JORC-compliant Mineral Resources were not available. Mine production results were not available.
	• *The assumptions made regarding recovery of by-products.*	The Veovaca deposit is a zinc-lead-barite deposit. Previous mining and beneficiation over a four-year period has shown that a conventional sulphide flotation method is a suitable recovery method.
	• *Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).*	There has been no estimation of deleterious elements or other non-grade variables.
	• *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.*	The average exploration drilling spacing was 20 m x 20 m. The selected parent cell size was 10 m x 10 m (half the exploration density). The search was based on the results of geostatistical analysis with average long ranges of 51 m x 43 m x 25 m.
	• *Any assumptions behind modelling of selective mining units.*	No assumptions were made for selective mining unit, apart from the assumption that the deposit is likely to be mined by open pit method.
	• *Any assumptions about correlation between variables.*	Correlation between some variables was very strong (e.g. between silver and lead), but no assumptions were made for the modelling purposes.
	• *Description of how the geological interpretation was used to control the resource estimates.*	Geological interpretation was based on the selected natural cut-off grades separately for each element. When grades within modelled wireframes had mixed populations, high grade domain was modelled using cut-offs justified by statistical analysis. Each element was modelled individually. High-grade domains were modelled for barite, silver and gold grades.
	• *Discussion of basis for using or not using grade cutting or capping.*	Classical statistical analysis was carried out for each element and each domain. It was found that the coefficient of variation for all elements was close or below 1, and that histograms and probability plots did not demonstrate any high-grade outliers. It was decided that no top-cutting is required.
	• *The process of validation, the checking process used, the comparison of model data to drillhole data, and use of reconciliation data if available.*	Grade estimation was validated using visual inspection of interpolated block grades versus underlying data, and swath plots. All average modelled grades were found to be slightly lower than the average assays in the composite file, which was expected due to the smoothing of grades by interpolators and generally clustering of data. Swath plots demonstrated reasonable correlation of modelled grades with the sample composites.
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	The tonnages were estimated on an in-situ dry bulk density basis which includes natural moisture. Moisture content was not estimated.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	The reporting cut-off grade of 0.5% zinc equivalent (ZnEq) was supported by pit optimisation study, which returned minimum processed grade of about 0.53% ZnEq with given input economic parameters. The Competent Person is satisfied that cut-off parameters were appropriately considered, to support Mineral Resource estimation.

Criteria	JORC Code explanation	Commentary
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	A number of pit optimisation studies were performed using the Whittle software to ensure that there are reasonable prospects for the eventual economic extraction of the mineralisation by open pit mining method(s). Input parameters were provided by the Company as being typical for the commodity, mining method and costs for a Balkan lead-zinc mining operation.
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	The Veovaca deposit was mined and the ore treated to produce saleable concentrates of lead, zinc and barite over a four-year period commencing 1984.
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	No detailed assumptions regarding possible environmental impacts to the site area were considered. The general locality has a number of active mining operations and no environmental impediments are anticipated.
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.*	Bulk densities were determined on drill core every 2 m in ore and every 5 m in waste. 483 determinations were in ore and 156 in waste. On average, the sample for bulk density determination weighed 1.69 kg and was representative of the described mineralisation or rock type.
	• *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.*	Bulk density determinations adopted the weight in air/weight in water method using a suspended or hanging scale. First the core billet was accurately weighed dry ("in air"), the core billet was removed and the wire cage fully submerged in water and its tare set to "zero" mass. The billet of core was then fully submerged and weighed ("weight in water"). The bulk density is calculated by the formula BD = Md/Md – Mw, where Md = weight in air and Mw = weight in water.

Criteria	JORC Code explanation	Commentary
	• *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	No assumptions were made for bulk density.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.*	Resource classification was based on confidence in the QAQC data analysis, geological interpretation, drill spacing, geostatistical measures, a visual evaluation of cross sections and drill density, and manual interpretation of resource categories. The interpreted boundaries between categories were wireframed and used to code the block models. Generally, the Indicated category was assigned to the areas with reasonable continuity of mineralised lodes based on 20 m x 20 m and 20 m x 40 m exploration drilling. All other blocks were classified as Inferred. No blocks were classified as Measured
	• *Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).*	The classification has taken into account all available geological and sampling information, and the classification level is considered appropriate for the current stage of this project.
	• *Whether the result appropriately reflects the Competent Person's view of the deposit.*	The Mineral Resource estimate appropriately reflects the view of the Competent Person.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	The current model has not been audited by an independent third party but has been subject to CSA Global's internal peer review processes.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.*	The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource to an Indicated and Inferred classification as per the guidelines of the 2012 JORC Code.
	• *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.*	The statement refers to global estimation of tonnes and grade.
	• *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	No production data is available.

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