

Site Visit Report

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Last price: A\$0.88

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Adriatic Metals Site Visit

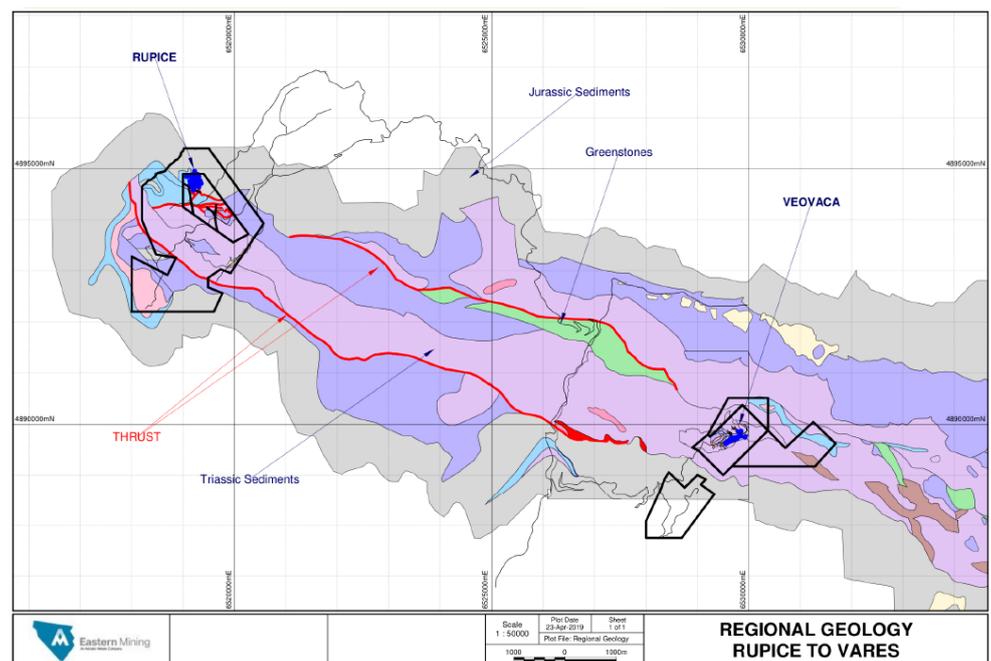
Introduction

Last week Tamesis attended a site visit to Adriatic Metals' operations in the Vareš Municipality in Bosnia-Herzegovina, approximately 45km north of the capital Sarajevo. Adriatic's operations comprise development assets at Veovaca and Rupice, and an early exploration at Brestic-Jurasevic. Tamesis previously visited the site in January and the site visit note is available on our website. Ahead of the site visit, Adriatic published their Q1/2019 activities report and subsequently announced further high-grade mineralisation along strike north and south at Rupice.

The trip was well organised and strongly attended, 26 people in total, comprising mining analysts from both the UK and Australia and company representatives. Adriatic continues to move forwards, with regular news flow confirming the growing size and world-class grades at the Rupice discovery. We expect regular news flow ahead of the release of both the maiden reserve and scoping study at Rupice (due H2-2019) and infill drilling at Vecovaca that will bring copper and precious metals into the resource statement.

Over the medium term we expect there is scope for further discoveries, as the company tests the success of IP targeting for drill programs. Adriatic clearly has "first mover" advantage in the region; the experience and quality of key management in navigating the permitting and social licence process is almost certainly not given full credit by the market.

Figure 1 – Regional Map and Geology



Source: Adriatic,

Q1 Update and Subsequent Exploration Update

Drilling at Rupice continues to show continuous high grade intercepts, with the highest and widest intercept to date being achieved in the quarter. Key drilling results include:

- 72m @ 18.3% Zn, 10.7% Pb, 211g/t Ag, 2.5g/t Au, 2.5% Cu, and 25% BaSO₄ from 206m
 - incl. 56m at 23.2% Zn, 13.6% Pb, 254g/t Ag, 3.0g/t Au and 3.1% Cu from 218m
- 46m at 12.7% Zn, 9.6% Pb, 309g/t Ag, 4.14g/t Au, 1.0% Cu and 40% BaSO₄ from 218m
 - incl. 20m at 23.5% Zn, 16.6% Pb, 287g/t Ag, 5.33g/t Au, 1.4% Cu and 35% BaSO₄ from 232m
- 16m at 1.3% Zn, 1.4% Pb, 49g/t Ag, 0.37g/t Au, 0.2% Cu from 192m
- 20m at 8.2% Zn, 5.6% Pb, 479g/t Ag, 4.10g/t Au, 0.5% Cu and 60% BaSO₄ from 228m
- 36m at 4.9% Zn, 3.2% Pb, 306g/t Ag, 2.70g/t Au, 0.5% Cu and 45% BaSO₄ from 228m

Adriatic's application for an Exploration Licence covering an expanded Concession Area was approved in the quarter and a drill campaign is underway. The company reported that mineralisation remains open along strike and this was confirmed on 7 May 2019 when Adriatic reported mineralised intersections to both the northern and southern extensions.

The drilling results announced were:

- 30m @ 9.7% Zn, 5.2% Pb, 265g/t Ag, 4.6g/t Au, 0.4% Cu, and 43% BaSO₄ from 246m (North)
- 16m @ 13.7% Zn, 10.0% Pb, 241g/t Ag, 1.6g/t Au, 1.0% Cu, and 52% BaSO₄ from 240m (North)
- 24m @ 2.3% Zn, 1.9% Pb, 158g/t Ag, 1.0g/t Au, 0.4% Cu, and 35% BaSO₄ from 236m (South)
- 12m @ 2.2% Zn, 3.7% Pb, 294g/t Ag, 3.0g/t Au, 0.3% Cu, and 40% BaSO₄ from 230m (South)

Drilling continues at Rupice ahead of a Maiden Resource Estimate which is expected to be in early Q3-2019, accompanied by a Scoping Study for a high-grade underground operation expected towards the end of Q3-2019.

Veovaca

Our tour started at the core shed at Veovaca, a refurbished building near to a historical open pit mine and the location of the company's maiden resource published in 2017.

Mining ceased in 1990 prior to the commencement of hostilities and ore is exposed at surface to depths of over 100 metres, plunging to the north at an approximately 30-degree angle in mineralised shoots. An infill drilling programme is underway to increase confidence in the resource and include precious metal assays that were missing from the historical drill logs.

The mineralised core is distinct from the sedimentary host rock of limestone and shales, both visually as dark brecciated rock, and by weight – with specific gravity averaging 3+ (and as high as 5+) versus the country rock of 2.7.

Figure 2 – Veovaca Core Shed and Core Trays



Source: Adriatic, Tamesis

The Veovaca open pit previously produced zinc, lead and barite concentrates, giving us confidence that the upcoming metallurgical work will show the possibility of high-recoveries concentrates with deleterious elements below penalty levels.

Figure 3 – Veovaca Open Pit



Source: Adriatic, Tamesis

Additionally, Veovaca has a fully permitted tailings facility which could also be used for tailings from both the planned restart of the Veovaca open pit and the nearby Rupice discovery, reducing any permitting burden. An application for an exploitation permit will be made later in the year, securing tenure over the combined licence area until 2038.

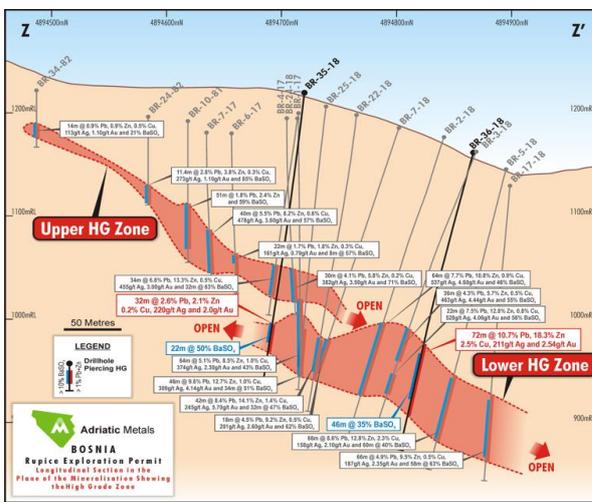
Rupice

Following the tour of Veovaca we drove 15km north-east to the Rupice licence area. Rupice is another sedimentary style massive sulphide deposit, strata bound, plunging down towards the north between two faults – remaining open at depth. The orebody consists of two zones of ore, an Upper High-Grade zone with drill intersections to date of between 11 metres and up to 51 metres in the widest section. Below this is a Lower High-Grade zone which has had drill intersections of up to 72 metres.

An exploration permit to drill the northern extension was awarded in March 2019. Interestingly we learned the fees associated with exploration licence applications are relatively expensive, prohibitive for mining speculators, providing a barrier to entry for many junior exploration companies and a competitive advantage for Adriatic.

An indicative mineralisation outline from the company is as follows:

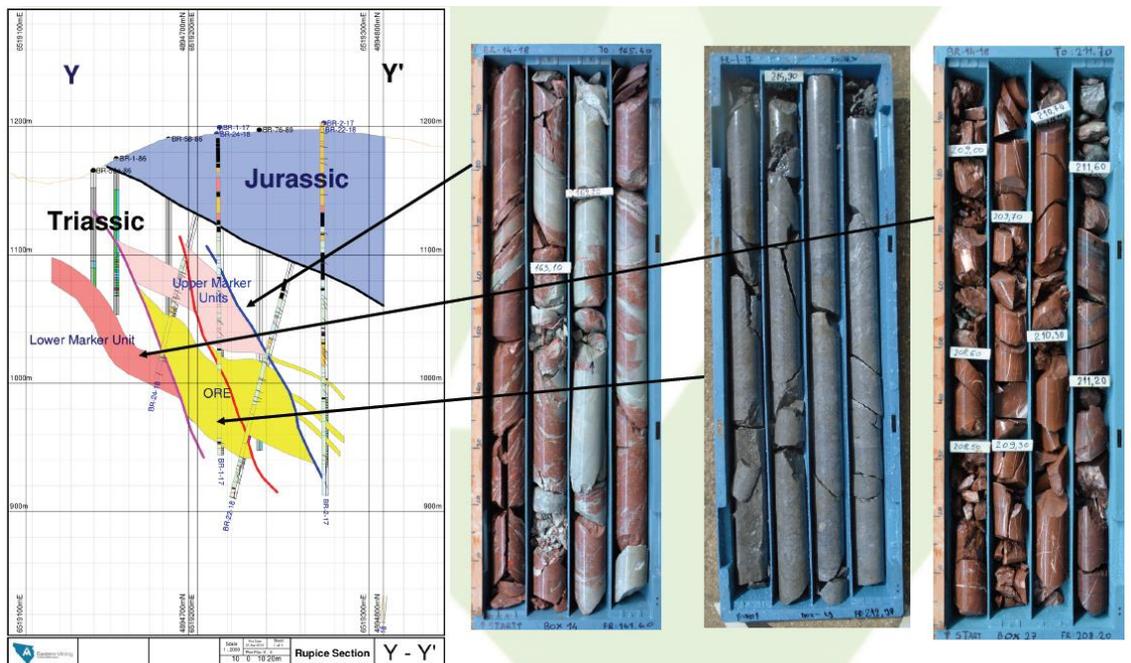
Figure 4 – Rupice Mineralisation Outline and Site Location



Source: Adriatic, Tamesis

Again, the various zones are visually distinct, with red rock in the hanging wall, a dark fractured breccia in the mineralised ore, and lighter shales in the footwall.

Figure 5 – Rupice Cross Section and Lithology



Source: Adriatic, Tamesis

Grades are very high, in the core we observed contained zinc equivalent grades of +15% over intervals of over 30 metres. The high-grade zinc mineralisation is associated with higher gold and silver grades. We observed drilling along trend in the northern extension, looking to intersect the higher-grade zone at 200+ metres depth. A maiden resource is expected in the summer this year alongside a scoping study that we expect will outline an underground mining operation.

Figure 6 – Drilling at Rupice Open Pit



Source:Tamesis

Walking north down the hill, along trend, we noted that the topography matches the dipping orebody, which may allow the company to have more flexibility in the location of a decline, targeting higher grade ore zones.

Further down the hill, we visited the Brestic Adit, constructed in 1990, and is thought to have accessed a lens of high-grade barite ore.

Figure 7 – Brestic Adit



Source:Tamesis

Some thought will need to be put into the suitability of fleet, processing facilities and tailings, however a targeted underground cut and fill mining method would be expected to have little surface footprint. At this stage we expect that tailings could be managed through a mix of backfilling and transporting dry tails to the existing facility at Veovaca.

Management

Our trip was led by Executive Director Paul Cronin, and the exploration analysis was presented in detail by Head of Exploration Bob Annett and the senior field geologist Maša Teran.

The on-site team, led by General Manager Adnan Teletovic, appeared to be well organised. Additionally, we were introduced to recently appointed COO Graham Hill who comes from developing an underground mine in Siberia for Silver Bear Resources (TSX: SBR) and looks to have the right skillset to take the company forward

Locality and Infrastructure

We met the mayor of the Municipality of Vareš who spoke passionately of bringing mining back to the region and highlighted that the recent cessation of mining activity was an anomaly in the town's history. The town's links to mining were obvious – in the centre there is a stone statue of a miner below a steel replica of a headframe.

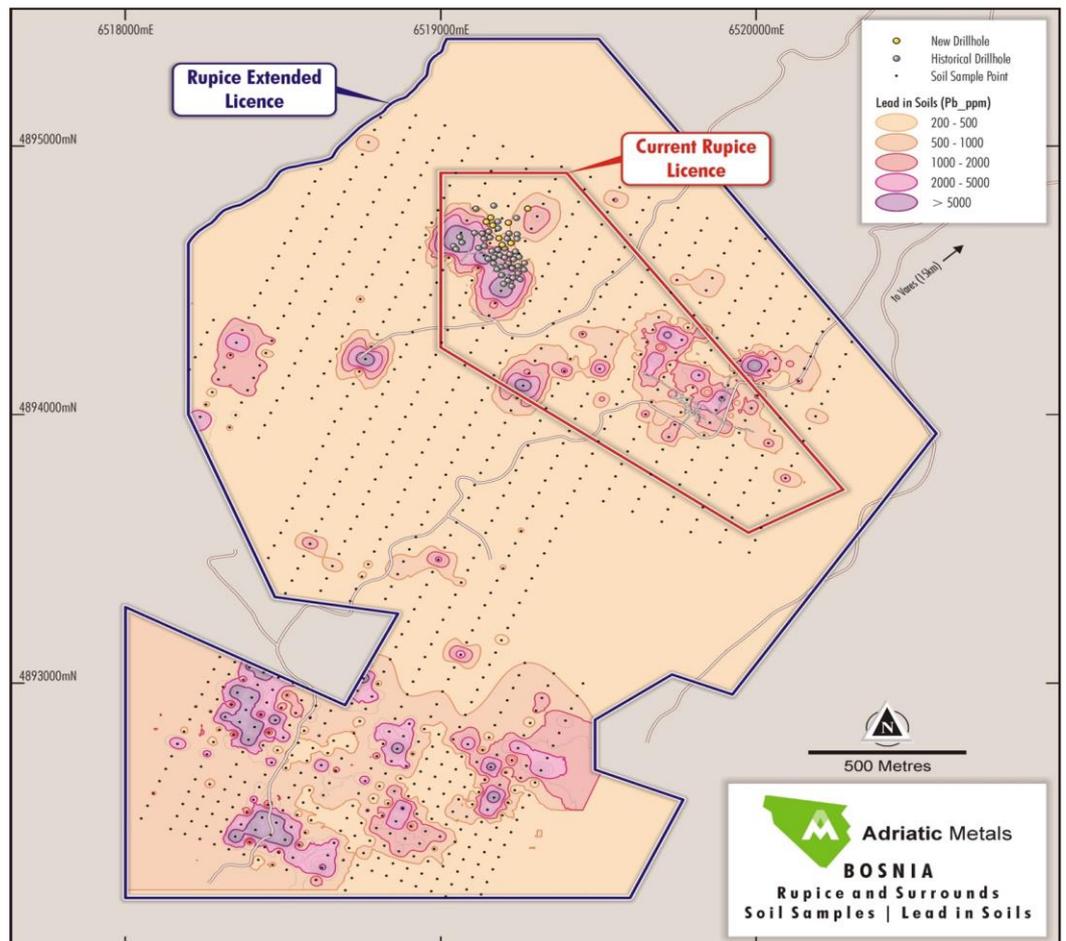
On the drive in to Vareš from Sarajevo we observed a railway line in good condition and an historic iron ore open pit mine near the township. Grid power and potable water are readily available.

Further Exploration

Adriatic is using Induced Polarisation (IP) exploration techniques to identify new drilling targets. A geophysical study in 2018 showed that the mineralisation looks to be susceptible to IP techniques, rather than aero-magnetic approaches.

The first such target is at Brestic-Jurasevic, 900 metres to the south-east of Rupice, which has shown high-grade grab samples from a historical adit of up to of up to 19.4% Zn, 12.25% Pb, 6.49% Cu, 339 g/t Ag and 3.47 g/t Au.

Figure 8 – IP Targets (purple)



Source: Adriatic

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