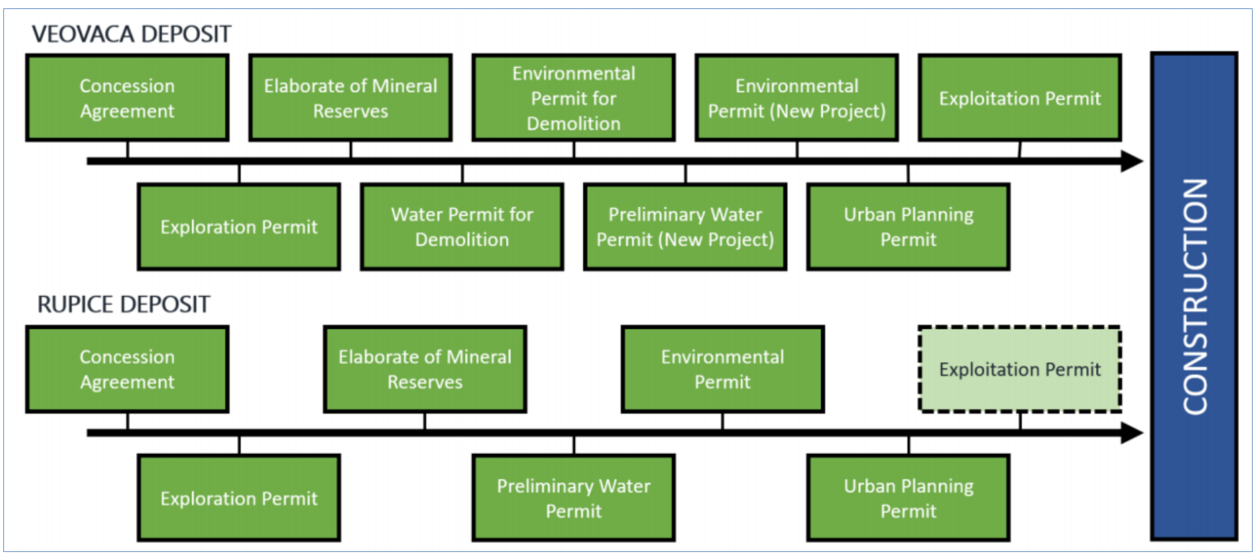
Ticker: ADT AU/LN	**Net cash:** A$33m	**Project**: Rupice / Kizevak
Market cap: A$513m	**Price:** C$2.45/sh	**Country:** Bosnia / Serbia
RECOMMEND. (unc): BUY	*TARGET (unc): A$3.30/sh*	*RISK RATING: HIGH*

As follow on to permitting success at the Veovaca plant site earlier this year, Adriatic continues to make great progress at Rupice, with today's UPP receipt enabling the final exploitation permit application, which is guided to be received in the coming weeks. In our view, mid-year is shaping up to be an exciting time for ADT. The company is now in a position to complete the DFS alongside a financing solution for the mine build in 2H21. It looks to us like the exploitation permit for Rupice could come ahead of this, which in our view, opens the door to M&A. Having both options available puts the company in an excellent position, thus ***we maintain our BUY rating, and 0.7xNAV$_{8\%}$ A$3.30/sh PT****. Stepping back, the lack of recently-permitted modern mining projects in Bosnia is a market negative, which increases the weight and value of final permits. This is reflected in our SCPe NPV8% of US$952m, >2x larger than the current market cap. Thus, final permits and DFS should close this valuation gap.*

Rupice UG permits received on schedule; exploitation permits expected in the coming weeks

Adriatic received the Urban Planning Permit for the Rupice underground deposit from the Bosnian Federal Ministry of Spatial Planning—reflecting government and local stakeholder support. As a result, Adriatic will now apply for the Rupice Exploitation Permit (Figure 1), which is the last permit required for construction to commence and subsequent mining from Rupice and Veovaca.

Figure 1. Vares project pathway showing permits received > pending exploitation permit for Rupice.



Source: Adriatic

Why we like Adriatic

1. World-class polymetallic with 213Moz @ 342g/t AgEq resource / 149Moz @ 416g/t reserve
2. Starting with UG operation generates quick payback and high IRR
3. Recently expanded licence along prospective belt with no modern exploration
4. Existing infrastructure, low opex, royalties and taxes, strong permitting history in Bosnia
5. Pipeline projects in Serbia with potential for 10Mt @ 8-10% Zn for second operation

Catalysts

1. 3Q21: Rupice DFS
2. 2Q21: Rupice Urbanisation and Exploitation permit

3. 2Q21: Target mine development start
4. 2H21: Processing plant construction start
5. 4Q22: First production

Research

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com
Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com
Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com
Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker: ADT AU	**Price/mkt cap:**	A245c/sh, A$513m		**Group P/NAV today:**	0.44x	**Asset:**	Rupice / Veovaca
Author: B Salier / B Gaspar	**Rec/0.7xNAV PT:**	BUY, A$3.3/sh		**1xNAV$_{3Q21}$ FD:**	A$5.53/sh	**Country:**	Bosnia / Serbia

Commodity	Price	Recov.	Payab.	NSR*	% totl.
Silver	24.0	93%	69%	64%	32%
Zinc	1.18	97%	58%	56%	27%
Gold	1850	71%	64%	45%	15%
Lead	0.90	93%	68%	64%	15%
Copper	3.63	96%	68%	66%	10%
**Payable recoverable / in-situ*			*Barite and antimony:*		1%

Asset based SOTP valuation^	US$m	O/ship	NAVx	A$/sh*
NPV Rupice (build start)	952	100%	1.0x	5.29
Tethyan (US$0.65/oz AgEq)	23	100%	1.0x	0.13
Cash 1Q21	33.2	-	1.0x	0.18
Cash from options (US$m)	9.5	-	1.0x	0.05
1xNAV8% 1Q20 $1850/oz	1,018			5.66
**Asset only, build start, ex G&A and fin. costs*			Market P/NAV$_{10\%}$:	0.44x

Asset NPV (US$m): 1xNPV *project* today (US$m, ungeared)*					
Grade / cmdty px:	80%	90%	100%^	110%	120%
10% discount	592	770	947	1,124	1,301
8% discount	634	826	1,018	1,209	1,400
6% discount	680	889	1,097	1,305	1,513
Ungeared project IRR:	66%	79%	92%	104%	115%

Asset NPV (US$m)	5.0Mt	6.0Mt	7.0Mt	8.0Mt	9.0Mt
Grade/px: +80%	634	634	634	634	634
Grade/px: +90%	826	826	826	826	826
Base case^	1,018	1,018	1,018	1,018	1,018
Grade/px: +110%	1,209	1,209	1,209	1,209	1,209
Grade/px: +120%	1,400	1,400	1,400	1,400	1,400

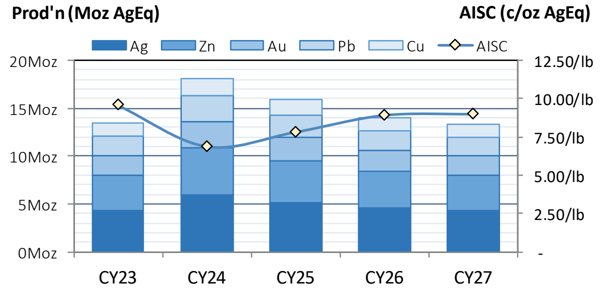
^Project level NPV, excl finance costs and central SGA, discounted to build start

Group NAV over time*	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25
Rupice / Veovaca (US$m)	896	1,078	1,230	986	789
Central & finance (US$m)	(118)	(115)	(105)	(93)	(83)
Tethyan (nominal)	23	23	23	23	23
Net cash prior qtr (US$m)	13.2	(0.1)	(85.8)	128.6	314.1
Cash from options (US$m)	9.5	9.5	9.5	9.5	9.5
NAV (US$m)	824	996	1,072	1,055	1,053
FD shares on issue (m)	*232.3*	*276.6*	*276.6*	*276.6*	*276.6*
1xNAV8%/sh FD (A$/sh)	4.58	4.65	5.00	4.92	4.91
	0.7xNAV PT:	3.25		P/NAV FF FD:	0.53x

**Diluted for optionsand mine-build equity, net of central G&A and fin. costs*

Production (Y1 from 3Q22)	CY23	CY24	CY25	CY26	CY27
ZnEq production (000t)	124	169	148	131	124
ZnEq AISC cost (US$/lb)	0.47	0.34	0.38	0.44	0.44
AgEq production (000oz)	13	18	16	14	13
AgEq AISC cost (US$/oz)	9.6	6.9	7.8	8.9	9.0

Prod'n (Moz AgEq) **AISC (c/oz AgEq)**



Source: SCP estimates

Resources and reserves	Tonnes	AgEq		Ag (%)	Zn (%)
Rupice M&I + Inf resource	12.0Mt	137g/t	193Moz	30%	27%
Veovaca M&I + Inf resource	7.4Mt	119g/t	28Moz	34%	41%
Total M&I + Inf resource	19.4Mt	356g/t	222Moz	30%	29%
Rup + Veo P&P reserve	11.1Mt	433g/t	155Moz	30%	33399%
Kizevak / Sastavci estimate	7.6Mt	293g/t	71Moz	9%	0%

Share data	Basic	FD	FF FD (equity @ 0.5xNAV)
Basic shares (m)	209.207	232.3	276.6

Sources		Uses	
Cash + pr prod ops (US$m)	33.2	Capex + working cap (US$m)	192.6
Debt (US$m)	100.0	Finance + G&A in build (US$m)	13.6
Mine build equity (US$m)	95.0	Total uses (US$m)	206.2
Total sources (US$m)	228.2		

Ratio analysis	CY19E	CY20E	CY21E	CY22E	CY23E
Average shares out (m)	209.2	209.2	209.2	209.2	209.2
EPS (US$/sh)	(0.04)	(0.03)	(0.12)	(0.08)	0.72
CFPS before w/c (US$/sh)	(0.04)	(0.06)	(0.34)	(0.75)	0.74
EV (US$m)	378.7	377.1	352.7	524.3	385.6
FCF margin (%)	-	-	-	-	39%
PER (x)	-	-	-	-	2.6x
P/CF (x)	-	-	-	-	2.6x
EV/EBITDA (x)	-	-	-	-	2.1x

Income statement	CY19E	CY20E	CY21E	CY22E	CY23E
Revenue (US$m)	-	-	-	41.8	323.6
COGS (US$m)	-	-	(13.0)	(40.5)	(127.4)
D&A (US$m)	-	-	-	-	(6.8)
Gross profit (US$m)	-	-	(13.0)	1.3	189.4
Admin (US$m)	(3.5)	(5.9)	(10.1)	(10.1)	(10.1)
Finance cost (US$m)	0.2	0.2	(0.3)	(6.3)	(9.9)
Expln, royalty, other (US$m)	(5.0)	(1.2)	(1.9)	(0.1)	(1.4)
Tax (US$m)	-	-	-	(2.5)	(17.5)
Net income (US$m)	(8.3)	(6.9)	(25.4)	(17.7)	150.4

Cash flow	CY19E	CY20E	CY21E	CY22E	CY23E
EBITDA (US$m)	(8.3)	(6.9)	(24.5)	(9.0)	184.6
Less working capital (US$m)	-	-	0.9	16.3	16.8
Less finance costs (US$m)	0.2	0.2	(0.3)	(6.3)	(9.9)
Less tax paid (US$m)	-	-	-	(2.5)	(17.5)
Cash flow ops (US$m)	(8.1)	(6.7)	(23.8)	(1.4)	174.0
PP&E - build (US$m)	-	4.3	45.2	138.4	1.7
Cash flow inv. (US$m)	(0.3)	(6.2)	(45.2)	(138.4)	(1.7)
Share issue (US$m)	16.0	16.2	95.0	-	-
Debt draw (repay) (US$m)	-	19.8	5.0	75.0	(14.2)
Cash flow fin. (US$m)	16.71	33.8	100.0	75.00	(14.2)
Net change in cash (US$m)	8.3	19.7	28.4	(96.6)	124.5

Balance sheet	CY19E	CY20E	CY21E	CY22E	CY23E
Cash (US$m)	18.4	40.0	69.4	(27.2)	97.3
Acc rec. + inv. (US$m)	0.8	0.8	3.6	23.8	48.1
Non-Current (US$m)	9.4	28.3	71.9	210.3	191.1
Total assets (US$m)	29	69	145	207	336
Debt (US$m)	-	20.0	25.0	100.0	85.8
Accounts payable (US$m)	0.7	0.7	1.9	6.6	14.0
Total liabilities (US$m)	0.7	20.7	27	107	100
Shareholders equity (US$m)	38.9	66.2	161.2	161.2	161.2
Retained earnings (US$m)	(11.2)	(18.1)	(42.9)	(60.7)	75.7
Liability + equity (US$m)	29	69	146	208	337

DISCLOSURES & DISCLAIMERS

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Sprott Capital Partners LP ("SCP"), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada ("IIROC") and the Canadian Investor Protection Fund ("CIPF"). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol "SII". Sprott Asset Management LP ("SAM"), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP's research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH:

SCP's research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP's Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION:

Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS:

Sprott Partners UK Limited ("Sprott") is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP ("PillarFour") for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott's clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Sprott Capital Partners LP ("SCP"), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. ("SGRIL"), a broker dealer in the United States registered with the Securities Exchange Commission ("SEC"), the Financial Industry Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

Analyst Certification/Regulation AC

The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Sprott Capital Partners Explanation of Recommendations: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets
NEUTRAL: The stock's total returns are expected to be in line with the overall market
SELL: The stocks total returns are expected to be materially lower than the overall market
TENDER: The analyst recommends tendering shares to a formal tender offering
UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.
NOT RATED ((N/R): The stock is not currently rated
NOT RATED ((N/R): The stock is not currently rated

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities[1]	YES
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	NO
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	YES
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of recommendations as of June 2021	
BUY:	41
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	41

[1] As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month