Euromax
RESOURCES

UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2019 and 2018

Expressed in Canadian dollars

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Euromax Resources Ltd.

Condensed consolidated interim statements of profit or loss and comprehensive income or loss - unaudited

(Expressed in Canadian dollars)

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018 *	Nine months ended September 30, 2019	Nine months ended September 30, 2018 *
		$000s	$000s	**$000s**	$000s
Operating expenses					
Accounting, legal and professional		**(109)**	(78)	**(397)**	(337)
Depreciation	**7**	**(31)**	(26)	**(104)**	(102)
Amortisation	**7**	**-**	-	**(1)**	(2)
Office and general		**(54)**	(54)	**(176)**	(181)
Regulatory, filing and transfer agent		**(4)**	-	**(36)**	(34)
Rent		**(2)**	(36)	**(9)**	(179)
Salaries, director and consultant fees		**(439)**	(470)	**(1,119)**	(1,697)
Share-based payments recovery		**233**	177	**63**	319
Investor and public relations		**(5)**	(59)	**(77)**	(199)
Travel		**(17)**	(22)	**(86)**	(77)
Exploration and evaluation costs		**(47)**	-	**(47)**	(2)
(Loss)/gain on foreign exchange		**(700)**	150	**(724)**	(837)
Operating loss		**(1,175)**	(418)	**(2,713)**	(3,328)
Finance expense	**7**	**(545)**	(848)	**(2,022)**	(2,060)
Fair value loss on modification of financial liabilities	**10 (b)**	**-**	-	**-**	(1,568)
Fair value gain/(loss) on financial liabilities	**10 (b)**	**25**	242	**22**	(357)
Net finance loss		**(520)**	(606)	**(2,000)**	(3,985)
Other items					
Other income		**-**	22	**1**	29
Loss before tax		**(1,695)**	(1,002)	**(4,712)**	(7,284)
Income tax expense		**-**	(5)	**-**	(6)
Loss for the period		**(1,695)**	(1,007)	**(4,712)**	(7,290)
Other comprehensive loss, net of tax:					
Items that are or may be reclassified subsequently to profit or loss					
Cumulative translation adjustment on foreign subsidiaries		**(565)**	(603)	**(1,599)**	(97)
Total other comprehensive loss, net of tax		**(565)**	(603)	**(1,599)**	(97)
Total comprehensive loss for the period		**(2,260)**	(1,610)	**(6,311)**	(7,387)
Loss per common share					
Basic and diluted	**6**	**(0.01)**	(0.01)	**(0.02)**	(0.05)
Weighted average number of common shares outstanding					
Basic and diluted	**6**	**331,929,522**	166,742,080	**251,437,830**	154,683,625

* The Group has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information has not been restated and the cumulative effect of initially applying IFRS 16 was recognised in Accumulated losses at the date of initial application. See Note 3.

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of financial position - unaudited

(Expressed in Canadian dollars)

	Note	As at September 30, 2019 $000s	December 31, 2018 * $000s
ASSETS			
Current			
Cash and cash equivalents		**7,999**	1,086
Other receivables		**51**	26
Other current assets		**26**	47
Total current assets		**8,076**	1,159
Non-current assets			
Land and property, plant and equipment		**273**	167
Intangible assets		**-**	1
Mineral right interests	**8**	**37,348**	39,918
Total assets		**45,697**	41,245
LIABILITIES			
Current			
Trade and other payables		**410**	634
Gold purchase advance payments	**11**	**14,892**	15,338
Working capital loan	**12 (d)**	**-**	349
Loans and borrowings	**10**	**-**	19,584
Share-based payment liabilities	**12 (c)**	**416**	577
Lease liability	**3 (e)**	**75**	-
Total current liabilities		**15,793**	36,482
Non-current liabilities			
Lease liability	**3 (e)**	**77**	-
Loans and borrowings	**10**	**19,512**	-
Total liabilities		**35,382**	36,482
EQUITY			
Share capital	**9**	**79,022**	74,306
Equity reserve		**16,419**	10,998
Convertible loan reserve	**10 (b)**	**1,733**	-
Currency translation reserve		**3,259**	4,849
Accumulated losses		**(90,118)**	(85,390)
Total equity		**10,315**	4,763
Total liabilities and equity		**45,697**	41,245

* The Group has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information has not been restated and the cumulative effect of initially applying IFRS 16 was recognised in Accumulated losses at the date of initial application. See Note 3.

Nature of operations	**1**
Subsequent events	**13**

Approved on behalf of the Board of Directors

Signed "Varshan Gokool"

Varshan Gokool, Director

"Tim Morgan-Wynne"

Tim Morgan-Wynne, Director

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of changes in equity - unaudited

(Expressed in Canadian dollars)

For the nine months ended September 30, 2019 and 2018

	Note	Share capital Number of shares	Amount $000s	Equity reserve $000s	Convertible loan reserve $000s	Currency translation reserve $000s	Accumulated losses $000s	Total equity $000s
Balance on January 1, 2018		*135,815,163*	*70,260*	*9,452*	*762*	*4,039*	*(77,619)*	*6,894*
Total comprehensive loss for the period								
Loss for the period			-	-	-	-	(7,290)	(7,290)
Other comprehensive loss for the period			-	-	-	(97)	-	(97)
Total comprehensive loss for the period			-	-	-	*(97)*	*(7,290)*	*(7,387)*
Transactions with owners of the Company								
Financing, net of issue costs	**9**	29,000,000	3,612	1,429	-	-	-	5,041
Exercised equity-settled share-based payments	**9**	1,926,917	394	(394)	-	-	-	-
Equity-settled share-based payments			-	463	-	-	-	463
Effect of modification of financial liabilities			-	-	(762)	-	-	(762)
Conversion of cash-settled into equity-settled share-based payments	**9**		-	555	-	-	-	555
Cancellation of share-based payment instruments	**9**		-	(219)	-	-	414	195
Transfer of expired share options	**9**		-	(304)	-	-	304	-
Total transactions with owners of the Company			*4,006*	*1,530*	*(762)*	-	*718*	*5,492*
Balance on September 30, 2018		166,742,080	74,266	10,982	-	3,942	(84,191)	4,999
Balance on January 1, 2019, as previously reported		***166,742,080***	***74,306***	***10,998***	**-**	***4,849***	***(85,390)***	***4,763***
Impact of change in accounting policy	**3 (e)**		-	-	-	9	(16)	(7)
Adjusted balance on January 1, 2019		***166,742,080***	***74,306***	***10,998***	**-**	***4,858***	***(85,406)***	***4,756***
Total comprehensive loss for the period								
Loss for the period			**-**	**-**	**-**	**-**	**(4,712)**	**(4,712)**
Other comprehensive loss for the period			**-**	**-**	**-**	**(1,599)**	**-**	**(1,599)**
Total comprehensive loss for the period			**-**	**-**	**-**	***(1,599)***	***(4,712)***	***(6,311)***
Transactions with owners of the Company								
Financing, net of issue costs	**9**	**164,649,677**	**4,671**	**5,368**	**-**	**-**	**-**	**10,039**
Conversion of cash-settled into equity-settled share-based payments	**9**		**-**	**45**	**-**	**-**	**-**	**45**
Exercised equity-settled share-based payments	**9**	**537,765**	**45**	**(45)**	**-**	**-**	**-**	**-**
Equity-settled share-based payments			**-**	**53**	**-**	**-**	**-**	**53**
Equity component of convertible loan	**10 (b)**		**-**	**-**	**1,733**	**-**	**-**	**1,733**
Total transactions with owners of the Company			***4,716***	***5,421***	***1,733***	**-**	**-**	***11,870***
Balance on September 30, 2019		**331,929,522**	**79,022**	**16,419**	**1,733**	**3,259**	**(90,118)**	**10,315**

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

		Nine months ended September 30,	
		2019	2018 *
	Note	**$000s**	$000s
OPERATING ACTIVITIES			
Loss before tax		**(4,712)**	(7,284)
Add back:			
Depreciation	**7**	**104**	102
Amortisation	**7**	**1**	2
Finance expense	**7**	**2,022**	2,060
Share-based payments recovery		**(63)**	(319)
Unrealised foreign exchange loss		**627**	862
Loss on disposal of property, plant and equipment		**5**	-
Fair value loss on modification of financial liabilities	**10 (b)**	**-**	1,568
Fair value (gain)/loss on financial liabilities	**10 (b)**	**(22)**	357
Gain on sold property, plant and equipment		**-**	(11)
Changes in non-cash working capital items:			
(Increase)/decrease in other receivables and other current assets		**(4)**	98
Decrease in trade and other payables		**(211)**	(531)
Income tax paid		**-**	(12)
Cash used in operating activities		**(2,253)**	(3,108)
INVESTING ACTIVITIES			
Expenditures on mineral right interests		**(361)**	(543)
Purchases of land, property, plant and equipment and intangible assets		**(34)**	(2)
Proceeds from sold property, plant and equipment		**-**	4
Cash used in investing activities		**(395)**	(541)
FINANCING ACTIVITIES			
Proceeds from share issue	**9**	**10,373**	5,220
Share issue costs	**9**	**(334)**	(221)
Repayment of working capital loan	**12 (d)**	**(346)**	(213)
Payment of lease liabilites		**(56)**	-
Interest paid		**(5)**	(5)
Cash provided by financing activities		**9,632**	4,781
Effect of exchange rate changes on cash		**(71)**	(173)
Net change in cash and cash equivalents		**6,984**	1,132
Cash and cash equivalents, beginning of the period		**1,086**	524
Cash and cash equivalents, end of the period		**7,999**	1,483

* The Group has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information has not been restated and the cumulative effect of initially applying IFRS 16 was recognised in Accumulated losses at the date of initial application. See Note 3.

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of operations

Euromax Resources Ltd. ("Euromax" or the "Company") was incorporated under the Business Corporation Act ("British Columbia") and established as a legal entity on May 1, 1990. The registered address of the Company is located at 400-725 Granville Street, Vancouver, British Columbia, Canada V7Y 1G5.

These condensed consolidated interim financial statements include the accounts of Euromax and of its wholly-owned subsidiaries (collectively, the "Group"). The Group operates with the objective of becoming the leading gold and base metal mining company in Europe. The Group operates in one sector in the mining industry, i.e. the exploration and development of mineral right interests.

Euromax's common shares are listed on the Toronto Stock Exchange (the "TSX") under the trading symbol "EOX", as well as on the OTC Pink Market under the trading symbol "EOXFF". Euromax's share options and warrants are not listed.

These condensed consolidated interim financial statements were authorised for issue by the Company's board of directors on November 11, 2019.

2. Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") *34 Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB.

Effectively from January 1, 2019, *IFRS 16 Leases* has been applied in the Group's condensed consolidated interim financial statements, and related changes to the significant accounting policies are described below in Note 3.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the audited consolidated financial statements for the year ended December 31, 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ended December 31, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use-assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in Accumulated losses at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported under *IAS 17 Leases* and its related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under *IFRIC 4 Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group has applied IFRS 16 on all contracts identified under IAS 17 and IFRIC 4 that were entered before January 1, 2019 as well as on all other contracts entered into or changed on or after January 1, 2019.

3. Changes in significant accounting policies (continued)

(a) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected to not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases office premises within the Macedonian operating segment (see Note 7).

As a lessee, the Group previously classified leases as operating, based on its assessment of whether the lease transferred substantially all or the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (less than 12 months). The Group recognised the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets within ‘property, plant and equipment’, within the same line item as it presents underlying assets of the same nature that it owns. The carrying amount of right-of-use assets are as below.

	Property
	$000s
Balance at January 1, 2019	207
Balance at September 30, 2019	**143**

(c) Significant accounting policies

The Group recognised a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the actual lease payments. It is remeasured when there is a change in future lease payments arising from a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(d) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include offices and warehouse facility within Macedonian operating segment (see Note 7). All these leases are typically run for a one year period, however leases include an option to renew the lease for an addition undermined period.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 has been applied since the commencement date (based on judgement applied by the Group that date is set for all leases as January 1, 2018), discounted using the lessee’s incremental borrowing rate at the date of initial application.

3. Changes in significant accounting policies (continued)

(d) Transition (continued)

The Group applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

(e) Impact on financial statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use, additional lease liabilities, recognising the difference in Accumulated losses and Currency translation reserve. The impact of translation is summarised below.

	January 1, 2019
	$000s
Right-of-use assets presented in property, plant and equipment	207
Total assets	**207**
Lease liabilities	214
Currency translation reserve	9
Accumulated losses	(16)
Total liabilities and equity	**207**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 7% (interest rate applied to both convertible loans, see Note 10(a)).

Impact for the period

As result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised $0.143 million of right-of-use assets and $0.152 million of lease liabilities at September 30, 2019, whereby $0.075 million is current, while $0.077 million is non-current lease liability.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating rent expense. During the three and nine months ended September 30, 2019, the Group recognised depreciation charges of $0.016 million and $0.049 million, respectively, and interest costs from these leases of $0.003 million and $0.010 million, respectively.

4. Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

At September 30, 2019, the Group had net assets of $10.3 million (December 31, 2018: $4.8 million) and a net working capital deficiency of $7.7 million (December 31, 2018: $35.3 million), including cash of $8 million (December 31, 2018: $1.1 million).

The Group's $7.7 million working capital deficiency at September 30, 2019 mainly results from gold purchase advance payments of $14.9 million (December 31, 2018: $15.3 million) received from Royal Gold, AG ("Royal Gold") (see Note 11), which are repayable on termination of the Gold Purchase and Sale Agreement. The gold purchase advance payments are classified as current liabilities as contractually repayment may be required within the next twelve months. As at the date of these condensed consolidated interim financial statements no termination or repayment notice has been received from Royal Gold.

4. Going concern (continued)

The reduction of working capital deficiency was mainly due to the reclassification of two convertible loans of $19.5 million as a non-current liability at September 30, 2019 (at December 31, 2018 these convertible loans of $19.6 million were recognised as current liability) resulting from their extension to February 28, 2021 following to the closing of a non-brokered private placement on May 13, 2019 (the "May 2019 Private Placement"). These convertible loans represent individual loans closed separately with European Bank for Reconstruction and Development ("EBRD") (the "EBRD convertible loan") and with CC Ilovitza ("CCI" a member of the CCC Group) (the "CCI convertible loan") (see Note 10).

On May 13, 2019, the Group closed the May 2019 Private Placement for gross proceeds of $10.4 million (see Note 9).

The Company's board of directors have reviewed the Group's forecasts for the period ended December 31, 2020, in which are including all committed costs for maintaining and development of Ilovica-Shtuka gold-copper project (the "Ilovica-Shtuka Project") in the Republic of North Macedonia ("Macedonia").

Based on these forecasts, the directors have identified that further funding will be required to reach a construction decision. Additionally, the Group will be required to raise further debt and funding to ultimately construct and bring the Ilovica-Shtuka Project into commercial production.

On July 12, 2019 Euromax announced that the Group received the Rejection Resolution for Exploitation Concession for Ilovica 6 (see Note 8), and following to that the Group submitted an appeal on that Rejection Resolution to the Second Instant Commission. However, that appeal was rejected by the Second Instant Commission, and subsequent to September 30, 2019, on October 13, 2019 a lawsuit was submitted to the Administrative Court in Macedonia appealing the Resolution for Rejection of the Appeal (see Note 8 and 13). As at the date of these condensed consolidated interim financial statements, both Exploitation Concession, i.e. for Ilovica 6 and Ilovica 11 (see Note 8) are valid and in possession of the Group.

Based on independent legal opinions that demonstrate that the Group is legally compliant, the directors remain optimistic that it would be resolved according to the Macedonian laws, toward further progressing the Ilovica-Shtuka Project.

Whilst the directors remain optimistic that the convertible loans and gold purchase advance payments will not require settlement in cash in 2019 and 2020, the Group can raise additional debt or equity funding, as well as that the outcome of the lawsuit would be positive toward further progressing the Ilovica-Shtuka Project, that is not within the Group's control. As such, this represents a material uncertainty which casts a significant doubt about the Group's continued ability to operate as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2018, expect for the new significant judgments related to lessee accounting under IFRS 16, as describe in Note 3(c).

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

6. Loss per share

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
	$000s	$000s	**$000s**	$000s
Net loss for the period after tax	**(1,695)**	(1,007)	**(4,712)**	(7,290)
Basic weighted average number of common shares	**331,929,522**	166,742,080	**251,437,830**	154,683,625
Basic and diluted loss per share	**(0.01)**	(0.01)	**(0.02)**	(0.05)

For the three and nine months ended September 30, 2019 and 2018, because there would be further reduction in loss per share resulting from the assumption that share options, warrants and convertible loan are exercised or converted, all these instruments are considered as anti-dilutive and are ignored in the computation of loss per share. As there were no other instruments that may have a potential dilutive impact, the basic and diluted loss per share were the same for the three and nine months ended September 30, 2019 and 2018.

7. Operating segments

The Group's main business is the exploration and development of mineral right interests. The Group's board of directors (the Group's Chief Operating Decision Maker) has arranged the Group's operating segments by both type of business and by geographic region. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable segments are as follows:

Reportable segments	Operations	Geografic location
Macedonia	exploration and development of mineral right interests	Republic of North Macedonia
Corporate	corporate operations	Canada and UK

The following is an analysis of the Group's revenue, loss before tax, assets and liabilities by operating segments and the Group's consolidated loss before tax.

	Macedonia		Corporate		Total	
Nine months ended	**September 30,**	September 30,	**September 30,**	September 30,	**September 30,**	September 30,
In thousands	**2019 ***	2018	**2019**	2018	**2019 ***	2018
Finance expense	**(11)**	(1)	**(2,011)**	(2,059)	**(2,022)**	(2,060)
Depreciation	**(104)**	(99)	**-**	(3)	**(104)**	(102)
Amortisation	**(1)**	(2)	**-**	-	**(1)**	(2)
Segment loss before tax	**(1,944)**	(1,876)	**(2,768)**	(5,408)	**(4,712)**	(7,284)

	Macedonia		Corporate		Total	
As at	**September 30,**	December 31,	**September 30,**	December 31,	**September 30,**	December 31,
In thousands	**2019 ***	2018 *	**2019**	2018	**2019 ***	2018 *
Segment assets	**37,774**	40,144	**7,923**	1,101	**45,697**	41,245
Segment liabilities	**343**	192	**35,039**	36,290	**35,382**	36,482

* The Group has initially applied IFRS 16 at January 1, 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating lease (see Note 3). As a result, the Group recognised $0.207 million of right-of-use assets and $0.214 million of lease liabilities from these lease contracts. The assets and liabilities are included in Macedonian operating segment at September 30, 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information has not been restated.

8. Mineral right interests

Macedonia

On July 11, 2007 the Group acquired an option to earn a 100% interest in the Ilovica-Shtuka Project. After completing an agreed exploration programme and the vendor not exercising its back-in right in January 2012, the Group acquired a 100% interest in the Ilovica-Shtuka Project.

The Ilovica-Shtuka Project consists of two adjacent properties, Ilovica 6 and Ilovica 11. The Group was granted a Concession for exploitation of mineral resources ("Exploitation Concession") for Ilovica 6 under the rules and regulations of the Minerals Law in Macedonia. The Ilovica 6 Exploitation Concession has an initial term of 30 years and is subject to a state royalty of 2% of the market value of metals contained in concentrate. The Ministry of Environment and Physical Planning in Macedonia (the "MoEPP") has formally approved the Environmental Impact Assessment Study (the "EIA") for Ilovica 6 under the Environmental Law in Macedonia.

8. Mineral right interests (continued)

Macedonia (continued)

On January 6, 2016 the Group announced the Feasibility Study (the "FS") for the Ilovica-Shtuka Project, prepared in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").

The Exploitation Concession on Ilovica 11 was granted on January 13, 2016 under the rules and regulations of the Minerals Law in Macedonia. This Exploitation Concession on Ilovica 11 has the same conditions as those of Ilovica 6, i.e. an initial term of 30 years and a state royalty of 2% of the market value of metals contained in concentrate. During 2017, a Strategic Environmental Impact Assessment was approved by the MoEPP (required for urbanisation process of the mine footprint), and a commission within the MoEPP issued a Compliance Report for the EIA on Ilovica 11, and recommended a formal approval to be granted by the MoEPP.

Additionally, during 2017 the Environmental and Social Impact Assessment Study (the "ESIA") was completed under international standards, which could facilitate the financing of the Ilovica-Shtuka Project's construction as well as meets the requirements of various project stakeholders.

During 2017 and 2018, the Ministry of Economy positively responded on the request for the merger of the Group's two exploitation concessions (the "Merger"), however the final approval is still waiting from the Macedonian Government. The approval of the Merger represents a significant trigger for further development of the Ilovica-Shtuka Project.

On July 12, 2019 Euromax announced that the Group received a Rejection Resolution from the Ministry of Economy in Macedonia on the Exploitation Permit Request for Exploitation Concession for Ilovica 6 ("Rejection Resolution"), submitted on July 25, 2016. The Rejection Resolution is based on the claim that all documents required under the law for the application were not submitted by the Group. Following to that, the Group submitted an appeal on that Rejection Resolution to the State Commission for Acting Upon Administrative and Employment procedures in the Second Instance ("Second Instant Commission"), however that appeal was rejected by the Second Instant Commission ("Resolution for Rejection of the Appeal"). Subsequent to September 30, 2019, on October 13, 2019 a lawsuit was submitted to the Administrative Court in Macedonia appealing the Resolution for Rejection of the Appeal.

As at the date of these condensed consolidated interim financial statements, both Exploitation Concessions, i.e. Ilovica 6 and Ilovica 11, are valid and in possession of the Group.

Based on independent legal opinions that demonstrate that the Group is legally compliant, the directors remain optimistic that it would be resolved according to the Macedonian laws, toward further progressing the Ilovica-Shtuka Project.

A summary of changes to the Group's mineral right interests in the nine months ended September 30, 2019 and 2018 is set out below.

	Macedonia *Ilovica-Shtuka Project*
	$000s
Balance, January 1, 2018	38,149
Exploration expenditures:	
Feasibility costs	212
Social & environmental studies	15
Other	73
	38,449
Other items:	
Exchange differences	(144)
Balance, September 30, 2018	38,305
Balance, January 1, 2019	**39,918**
Exploration expenditures:	
Feasibility costs	**145**
Social & environmental studies	**202**
	40,265
Other items:	
Exchange differences	**(2,917)**
Balance, September 30, 2019	**37,348**

9. Share capital and reserves

At September 30, 2019 Euromax's authorised share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2019		2018	
	Number of shares	**Amount**	Number of shares	Amount
		$000s		$000s
Balance on January 1	**166,742,080**	**74,306**	135,815,163	70,260
Common shares issued for:				
Financing, net of issue costs	**164,649,677**	**4,671**	29,000,000	3,612
Equity-settled share-based payments exercised	**537,765**	**45**	1,926,917	394
Balance on September 30	**331,929,522**	**79,022**	166,742,080	74,266

On March 22, 2019, the Group announced that the May 2019 Private Placement was agreed with its existing shareholders to issue 164,649,677 common shares at a price of $0.0625 for gross proceed of $10.291 million or denominated into US$7.728 million by using agreed fixed exchange rate of Canadian Dollar against United States Dollar of 1.3316. Once required condition for closing of the May 2019 Private Placement were satisfied, on May 13, 2019 the Group announced closing of the May 2019 Private Placement and US$7.728 million or $10.373 million (revalued at May 13, 2019) were received. Further to the issued common shares, under the May 2019 Private Placement, were issued 164,649,677 share purchase warrants exercisable each at a price of $0.15 at any time before May 13, 2021. As part of the May 2019 Private Placement, the Group signed an off-take agreement with Trafigura Pte. Ltd. ("Trafigura"), and together with the signed off-take agreement in 2018, the whole future production of the copper concentrate from the Ilovica-Shtuka Project will be sold to Trafigura.

Following the closing of the May 2019 Private Placement, 12,195,122 share purchase warrants, issued to existing shareholder that took part of the May 2019 Private Placement, were amended whereby exercisable price of each share purchase warrant has been reduced to $0.28 from $0.41, and each exercisable at any time before February 28, 2020, extended from July 18, 2019.

On April 12, 2018 the Company closed a non-brokered private placement (the "April 2018 Private Placement") by issuing of 29 million common shares at a price of $0.18 for proceeds of $5.220 million and 29 million share purchase warrants exercisable each at a price of $0.23 at any time before April 12, 2020.

The aggregate fair market value of the share purchase warrants and the common shares issued in both the May 2019 Private Placement and the April 2018 Private Placement was distributed on a pro-rata basis between share capital and equity reserve. The fair value of the share purchase warrants from the May 2019 Private Placement was estimated at $0.0337 per share purchase warrant, or in total of $5.549 million for all issued 164,649,677 share purchase warrants. While, the fair value of the share purchase warrants from the April 2018 Private Placement was estimated at $0.051 per share purchase warrant, or in total of $1.479 million for all issued 29 million share purchase warrants. The fair value of share purchase warrants has been determined at the grant date by using the Black-Scholes option pricing model, whereby the weighted average assumptions used are presented in the following table:

	Nine months ended September 30	
	2019	2018
Risk free interest rate	**1.58%**	1.88%
Expected life	**2 years**	2 years
Expected volatility	**50.00%**	50.00%
Expected dividend per share	**$Nil**	$Nil

As part of the May 2019 Private Placement the Company incurred share issue costs of $0.334 million for filing and legal fees, all fully paid during the nine months ended September 30, 2019, of which $0.153 million were allocated to share capital and $0.181 million to share purchase warrants via the equity reserve.

While, for completion of the April 2018 Private Placement the Company incurred share issue costs of $0.179 million for filing and legal fees, of which $0.129 million was allocated to share capital and $0.050 million to share purchase warrants via the equity reserve. Major part of these share issued costs, i.e. $ $0.138 million, were paid during the nine months ended September 30, 2018. Additionally, during the nine months ended September 30, 2018 share issued costs of $0.083 million were paid, which were incurred for two additional private placements closed in August and September 2017 (see Note 11(a) of audited consolidated financial statements for the year ended December 31, 2017).

9. Share capital and reserves (continued)

During the nine months ended September 30, 2019, 537,765 fully vested Restricted Share Units ("RSUs") were converted into the Company's common shares, which were previously converted from fully vested Deferred Phantom Units ("DPUs") at fair value of $0.045 million, relating to a director who left the Company.

Furthermore, for the nine months ended September 30, 2019, 5.4 million share options granted to directors and executive officers with an average exercise price at $0.34 and average remaining contractual life of 1.9 years were replaced with fully vested 2.7 million share options with an exercise price at $0.08 and contractual life of 5 years. Additionally, 125,000 share options with an exercise price at $0.08 and contractual life of 5 years, vested during the following 3 years, were granted to director as compensation for his engagement as a Chairmen of the Company's board of directors.

During the nine months ended September 30, 2018, 1,926,917 fully vested RSUs were converted into the Company's common shares, of which 1,361,917 RSUs had been converted from fully vested DPUs at fair value of $0.273 million, relating to a director who left the Company.

For the nine months ended September 30, 2019, a further 1,483,600 DPUs at fair value of $0.282 million and 2,029,442 RSUs at fair value of $0.510 million, relating to an executive director who left the Company, were converted into 1,750,000 share options, as part of his settlement agreement, with an exercise price at $0.30 and contractual life of 3 years, vested immediately. As a result of the termination of the employment of key management personnel of the Company, 697,200 DPUs at fair value of $0.195 million and 941,920 RSUs at fair value of $0.219 million were cancelled, and accordingly $0.219 million was transferred from equity reserve to accumulated losses.

During the nine months ended June 30, 2019 and 2018, no share options and no share purchase warrants were exercised.

During the nine months ended September 30, 2018, 1,616,803 share options expired and accordingly related accumulated fair value of $0.304 million was transferred from equity reserve to accumulated losses.

At September 30, 2019, the Company had 7,525,000 share options outstanding (September 30, 2018: 10,340,000) with exercise prices ranging from $0.08 to $0.49 per common share (September 30, 2018: from $0.18 to $0.49) and a weighted average exercise price of $0.24 (September 30, 2018: $0.33).

Additionally, the Company had 228,791,511 share purchase warrants (September 30, 2018: 64,141,834) with exercise prices ranging from $0.15 to $0.40 per common share (September 30, 2018: from $0.23 to $0.41) and 3,977,717 RSUs (September 30, 2018: 3,977,717) outstanding at September 30, 2019.

10. Loans and borrowings

	September 30, 2019	December 31, 2018
	$000s	$000s
EBRD convertible loan	**11,641**	11,077
CCI convertible loan	**7,871**	8,507
	19,512	19,584

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

				September 30, 2019		December 31, 2018	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
				$000s	**$000s**	$000s	$000s
EBRD convertible loan	US$	7.00%	2021	**6,619**	**11,641**	6,822	11,077
CCI convertible loan	$	7.00%	2021	**5,200**	**7,871**	5,200	8,507
				11,819	**19,512**	12,022	19,584

10. Loans and borrowings (continued)

(a) Terms and conditions (continued)

EBRD convertible loan

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US$5.0 million ($6.619 million) (the “Principal Amount”), amended on April 12, 2018 (the “2018 Amendments of the EBRD convertible loan”) and in March 2019 (the “2019 Amendments of the EBRD convertible loan”).

The EBRD convertible loan matures on February 28, 2021, extended from May 10, 2019 as per the 2019 Amendments of the EBRD convertible loan, following the May 2019 Private Placement.

Upon Maturity, the Company will be required to pay or convert:

- the Principal Amount,
- an amount of US$1.420 million ($1.880 million) (the “Redemption Amount”),
- a finance delay fee of US$0.150 million ($0.199 million) (the “Fee”),
- a finance delay interest (the “Interest”) accrued from January 1, 2017 until April 30, 2018 on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum, compounded quarterly, and
- a finance interest (the “Interest on Extension”) accrued from May 1, 2018 to the Maturity on collectively the Principle Amount, the Redemption Amount, the Fee and the Interest at April 30, 2018 at a rate of 20% per annum applied from May 1, 2018 to March 31, 2019 and 7% per annum from April 1, 2019 to its maturity, compounded annually.

The EBRD convertible loan is convertible into the Company’s common shares, in whole or in part at the election of EBRD, by using a strike price of $0.15 per common share for conversion of all the Principal Amount, the Redemption Amount, the Fee, the Interest, and the Interest on Extension (as per the 2019 Amendments of the EBRD convertible loan).

CCI convertible loan

On May 20, 2016 the Company closed a convertible loan with CCI and received proceeds of $5.2 million, amended on April 12, 2018 (the “2018 Amendments of the CCI convertible loan”) and in March 2019 (the “2019 Amendments of the CCI convertible loan”).

The CCI convertible loan matures on February 28, 2021, extended from May 10, 2019 as per the 2019 Amendments of the CCI convertible loan, following the May 2019 Private Placement.

The CCI convertible loan incurred a fixed interest rate of 20% per annum, compounded annually (changed from interest rate of 9% per annum, compounded daily), applied retrospectively from May 20, 2016 to March 31, 2019, repayable at maturity, while from April 1, 2019 until its maturity incurs fixed interest rate of 7% per annum, compounded annually.

At maturity, CCI can elect to receive cash repayment or convert the outstanding loan balance into the Company’s common shares at a conversion price of $0.15 per common share (as per the 2019 Amendments of the CCI convertible loan).

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	**2019**	2018
	$000s	$000s
Carrying amount at January 1	**11,077**	8,107
Adjustments recorded during the period:		
Accrued interest	**910**	1,286
Fair value adjustment	**(22)**	357
Foreign exchange movements	**(324)**	249
Carrying amount at September 30	**11,641**	9,999

The EBRD convertible loan is designated as at fair value through profit or loss (“FVTPL”), whereby all attributable transaction costs, together with any accrued interest, foreign exchange movements and fair value adjustments are recognised in profit or loss.

10. Loans and borrowings (continued)

(b) Recognition and measurement of convertible loans (continued)

EBRD convertible loan (continued)

As per provisions of *IFRS 9 Financial Instruments*, the amount of change in the fair value of financial liability designated as at FVTPL attributable to change in the credit risk of that liability shall be presented in other comprehensive income or loss, while the remaining amount of change in the fair value of the liability shall be presented in profit or loss. Based on the management estimate, the effect of fair value movement of the EBRD convertible loan resulting from changes in the credit risks of the EBRD convertible loan do not have material effect on the Group's consolidated financial statements, and therefore the whole effect from movement in the fair value of the EBRD convertible loan is presented in profit or loss.

The fair value of the EBRD convertible loan is calculated via an internally prepared model that separately values the loan amount on a discounted cash flow basis and the conversion option using a Black-Scholes option pricing model. The market observable information assumptions used, of which the most significant is the Company's common share price, have been applied consistently to management's most likely future financing plans.

A probability weighting has been applied to each scenario, developed based on future financing plans, by using management's best estimates of the likelihood of each scenario occurring. This probability weighting was categorised as a level 3 non-market observable assumption under *IFRS 13 Fair Value Measurement* and hence results in the EBRD convertible loan valuation being a level 3 valuation.

The fair value of the EBRD convertible loan at September 30, 2019 was assessed at $11.641 million (US$8.794 million) (September 30, 2018: $9.999 million or US$7.750 million), representing a decrease of the liability from June 30, 2019 that resulted in fair value gain of $0.025 million for the three months ended September 30, 2019 (2018: $0.242 million), and an decrease of the liability from December 31, 2018 which resulted in fair value gain of $0.022 million for the nine months ended September 30, 2019 (2018: loss of $0.357 million).

CCI convertible loan

CCI convertible loan	**2019**	2018
	$000s	$000s
Carrying amount at January 1	**8,507**	5,776
Adjustments recorded during the period:		
Amount classified as equity element	**(1,733)**	-
Accrued interest	**1,097**	683
Fair value loss on modification	**-**	1,568
Amortisation of transaction costs	**-**	85
Carrying amount at September 30	**7,871**	8,112

The CCI convertible loan is a compound financial instrument, whereby a liability component and an equity component was determined at initial recognition. The liability component was measured by fair valuing the convertible loan using a relevant market interest rate that would apply to an equivalent loan that does not contain an equity conversion option. The remaining amount was recognised as equity element.

Transaction costs incurred for closing of the CCI convertible loan during 2016, were allocated on a proportional basis to the liability component and equity element. Transaction costs allocated to the liability component were fully amortised at April 30, 2018.

Resulting from the significant modification of the CCI convertible loan's conditions, firstly due to the 2018 Amendments of the CCI convertible loan, the financial liability was derecognised and new financial liability was recognised in 2018. That transaction resulted in reversal of initially recognised equity component since the fair value of the liability component had the same value as the recognised compound financial instrument in 2018.

Further to that, the significant modification of the CCI convertible loan's conditions as per the 2019 Amendments of the CCI convertible loan resulted in recognition of newly recognised financial liability in 2019, and derecognition of the existing one. A liability component of this new compound financial instrument was set at $7.053 million, while the remaining amount of $1.733 million has been recognised as equity component.

Subsequent to initial recognition, the liability component is measured at amortised cost by using the effective interest rate method.

11. Gold purchase advance payments

On October 20, 2014 the Group entered into a Gold Purchase and Sale Agreement ("GPSA") with Royal Gold pursuant to which the Group via its wholly-owned subsidiaries was initially agreed to sell an equivalent of 25% of future gold production from the Ilovica-Shtuka Project to Royal Gold to a maximum of 525,000 ounces and then 12.5% gold produced thereafter. In consideration, it was agreed Royal Gold to pay US$175 million as an advance payment on the purchase price of the Ilovica-Shtuka Project's future gold production.

However, during 2015, under the initial tranche and part of the first anniversary payment the Group received US$11.25 million, as part of that GPSA. All these advance payments received under the GPSA are classified as current liabilities since all conditions precedent for the third tranche weren't satisfied in the agreed timetable as per GPSA.

The repayment of the advance payments is currently secured by share pledges over the Group's common shares in a number of its wholly-owned subsidiaries together with security of specific intergroup transactions and balances. On June 3, 2015 the Group obtained the Concession Agreement Annex allowing for the Exploitation Concession for Ilovica 6 to be granted as security by way of assignment in favour to Royal Gold as well as to the Group's creditors. Royal Gold's first priority security interest will be subordinated to that of the permitted senior ranking debt finance under arrangements to be agreed with the senior financiers. Royal Gold's security interest falls away once its entire advance payment has been repaid back.

Under the provisions of GPSA, in case of its termination, advance payments need to be repaid in full within 60 days of received termination notice. As at the date of these condensed consolidated interim financial statements no termination or repayment notice has been received from Royal Gold, as well as it is not expecting such notice to be receive until funds for repayment of that advance payment is secured by the Group.

The following is a summary of the changes in the GPSA advance payments as at September 30, 2019 and 2018:

	2019	2018
	$000s	$000s
Balance on January 1	**15,338**	14,119
Adjustments recorded during the period:		
Foreign exchange movements	**(446)**	396
Balance on Septmber 30	**14,892**	14,515

12. Related party transactions

Details of the transactions between the Group and other related parties are disclosed below.

Transactions with key management personnel

(a) Key management personnel transactions

The Group's related parties are Trentside Projects Limited and Wheatley Project Services, both are private companies owned by one of the Group's current key management personnel. Project managerial services to the Ilovica-Shtuka Project has been provided by both companies, whereby Trentside Projects Limited for the period from July 2015 to April 2018, while Wheatley Project Services from May 2018.

The Group incurred the following fees and expenses in the normal course of operations in connection with related parties. Expenses have been measured at the amount which is agreed between the parties.

	Nine months ended September 30	
	2019	2018
	$000s	$000s
Project management fees	**57**	103
	57	103

At September 30, 2019, the Group owed Wheatley Project Services $0.006 million (December 31, 2018: $0.006 million) for services provided in September 2019.

12. Related party transactions (continued)

Transactions with key management personnel (continued)

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2019 and 2018 was as follows:

		Nine months ended September 30,	
	Note	2019	2018
		$000s	$000s
Short-term employee benefits		695	714
Post-employment benefits	(i)	36	44
Redundancy payments	(ii)	-	103
Share-based payments recovery	(iii)	(76)	(501)
		655	360

(i) Some executive directors and some key management personnel receive pension contributions ranging from 5% to 10% of their salary to their individual pension plans;

(ii) A key management personnel was made redundant on February 28, 2018;

(ii) Share-based payments are the cost/(recoveries) of share options, RSUs and DPUs granted to directors and key management personnel.

(c) Deferred Phantom Unit Plan ("DPU Plan)"

In March 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the Company's directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since 2013, directors who have elected to convert their fees into DPUs, have been making a semi-annual elections for issuing of DPUs in lieu of cash. In March 2019 these directors elected to receive DPUs in lieu of cash until September 30, 2019.

All DPUs granted to directors vest immediately. However, those DPUs granted to executive officers, that contain a vesting condition relating to the Company's common share price performance compared to the Market Vectors Junior Gold Mines ETF ("GDXJ"), have a market performance vesting condition, so at grant date it is estimated that the Company's common share price performance should be at least consistent with the GDXJ's price performance.

All vested DPUs are revalued at the Company's reporting period end share price and only becomes payable in cash in the event that a director or key management person leaves the Group.

The total DPUs in issue at September 30, 2019 was 11,891,773 (September 30, 2018: 6,852,921). Share-based payment liabilities of $0.416 million (December 31, 2018: $0.577 million) are recognised as current at September 30, 2019. The DPU payments recovery for the three and nine months ended September 30, 2019 was $0.236 million (2018: $0.259 million) and $0.116 million (2018: $0.782 million), respectively.

(d) Working capital loan

During the year ended December 31, 2017, the Group arranged and closed a working capital loan from certain directors of the Group, which incurs a one off interest rate of 20% which accrued for the year ended December 31, 2017. During the nine months ended September 30, 2019, the working capital loan was repaid in full, as presented below:

	2019	2018
	$000s	$000s
Balance on January 1	349	617
Repayment of working capital loan	(346)	(213)
Foreign exchange movements	(3)	10
Balance on September 30	-	414

13. Subsequent events

Subsequent to September 30, 2019 the following reportable events have occurred:

- On October 13, 2019 a lawsuit was submitted to the Administrative Court in Macedonia appealing the Resolution for Rejection of the Appeal, which is related to the Rejection Resolution for Ilovica 6, see for more details in Note 8.