Euromax RESOURCES

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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, 2020	2019	Nine months ended September 30, 2020	2019
		$000s	$000s	**$000s**	$000s
Operating expenses					
Accounting, legal and professional		**(361)**	(109)	**(1,157)**	(397)
Depreciation	**6**	**(23)**	(31)	**(75)**	(104)
Amortisation	**6**	**-**	-	**-**	(1)
Office and general		**(50)**	(54)	**(171)**	(176)
Regulatory, filing and transfer agent		**-**	(4)	**(29)**	(36)
Rent		**(2)**	(2)	**(9)**	(9)
Salaries, director and consultant fees		**(576)**	(439)	**(1,503)**	(1,119)
Share-based payments (expenses) / recovery		**(276)**	233	**(568)**	63
Investor and public relations		**(37)**	(5)	**(85)**	(77)
Travel		**(1)**	(17)	**(25)**	(86)
Exploration and evaluation costs		**(9)**	(47)	**(32)**	(47)
Gain/(loss) on foreign exchange		**746**	(700)	**364**	(724)
Operating loss		**(589)**	(1,175)	**(3,290)**	(2,713)
Finance income	**6**	**1**	-	**21**	-
Finance expense	**6**	**(625)**	(545)	**(1,873)**	(2,022)
Fair value gain/(loss) on financial liabilities	**9 (b)**	**(2)**	25	**6**	22
Net finance loss		**(626)**	(520)	**(1,846)**	(2,000)
Other items					
Other income		**-**	-	**-**	1
Loss before tax		**(1,215)**	(1,695)	**(5,136)**	(4,712)
Income tax expense		**31**	-	**(1)**	-
Loss for the period		**(1,184)**	(1,695)	**(5,137)**	(4,712)
Other comprehensive income/(loss), net of tax:					
Items that are or may be reclassified subsequently to profit or loss					
Cumulative translation adjustment on foreign subsidiaries		**492**	(565)	**1,659**	(1,599)
Total other comprehensive income/(loss), net of tax		**492**	(565)	**1,659**	(1,599)
Total comprehensive loss for the period		**(692)**	(2,260)	**(3,478)**	(6,311)
Loss per common share					
Basic and diluted	**5**	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Weighted average number of common shares outstanding					
Basic and diluted	**5**	**331,929,522**	331,929,522	**331,929,522**	251,437,830

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, 2020 $000s	December 31, 2019 $000s
ASSETS			
Current			
Cash and cash equivalents		**3,908**	6,964
Other receivables		**19**	48
Other current assets		**48**	171
Total current assets		**3,975**	7,183
Non-current assets			
Land and property, plant and equipment		**253**	308
Mineral right interests	**7**	**40,312**	37,793
Total assets		**44,540**	45,284
LIABILITIES			
Current			
Trade and other payables		**387**	623
Gold purchase advance payments	**10**	**15,053**	14,699
Loans and borrowings	**9**	**22,037**	-
Share-based payment liabilities	**11 (c)**	**787**	358
Lease liability		**79**	71
Total current liabilities		**38,343**	15,751
Non-current liabilities			
Lease liability		**85**	129
Loans and borrowings	**9**	**-**	19,910
Total liabilities		**38,428**	35,790
EQUITY			
Share capital	**8**	**78,544**	78,544
Equity reserve		**16,177**	16,898
Convertible loan reserve		**1,733**	1,733
Currency translation reserve		**5,203**	3,544
Accumulated losses		**(95,545)**	(91,225)
Total equity		**6,112**	9,494
Total liabilities and equity		**44,540**	45,284
Nature of operations	**1**		
Subsequent events	**13**		

Approved on behalf of the Board of Directors

"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, 2020 and 2019	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, 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	8	164,649,677	4,193	5,846	-	-	-	10,039
Conversion of cash-settled into equity-settled share-based payments	8		-	45	-	-	-	45
Exercised equity-settled share-based payments	8	537,765	45	(45)	-	-	-	-
Equity-settled share-based payments			-	53	-	-	-	53
Equity component of convertible loan	9 (b)		-	-	1,733	-	-	1,733
Total transactions with owners of the Company			*4,238*	*5,899*	*1,733*	-	-	*11,870*
Balance on September 30, 2019		331,929,522	78,544	16,897	1,733	3,259	(90,118)	10,315
Balance on January 1, 2020		***331,929,522***	***78,544***	***16,898***	***1,733***	***3,544***	***(91,225)***	***9,494***
Total comprehensive loss for the period								
Loss for the period			**-**	**-**	**-**	**-**	**(5,137)**	**(5,137)**
Other comprehensive income for the period			**-**	**-**	**-**	**1,659**	**-**	**1,659**
Total comprehensive loss for the period			**-**	**-**	**-**	***1,659***	***(5,137)***	***(3,478)***
Transactions with owners of the Company								
Equity-settled share-based payments			**-**	**96**	**-**	**-**	**-**	**96**
Transfer of expired share options	**8**		**-**	**(817)**	**-**	**-**	**817**	**-**
Total transactions with owners of the Company			**-**	***(721)***	**-**	**-**	***817***	***96***
Balance on September 30, 2020		**331,929,522**	**78,544**	**16,177**	**1,733**	**5,203**	**(95,545)**	**6,112**

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,	
		2020	2019
	Note	**$000s**	$000s
OPERATING ACTIVITIES			
Loss before tax		**(5,136)**	(4,712)
Add back:			
Depreciation	**6**	**75**	104
Amortisation	**6**	**-**	1
Finance income		**(21)**	-
Finance expense	**6**	**1,873**	2,022
Share-based payments		**523**	(63)
Unrealised foreign exchange (gain)/loss		**(534)**	627
Loss on disposal of property, plant and equipment		**-**	5
Fair value gain on financial liabilities	**9 (b)**	**(6)**	(22)
Changes in non-cash working capital items:			
Decrease/(increase) in other receivables and other current assets		**153**	(4)
Decrease in trade and other payables		**(240)**	(211)
Tax paid		**(1)**	-
Cash used in operating activities		**(3,314)**	(2,253)
INVESTING ACTIVITIES			
Expenditures on mineral right interests		**-**	(361)
Purchases of land, property, plant and equipment and intangible assets		**(1)**	(34)
Interest received		**21**	-
Cash provided by/(used in) investing activities		**20**	(395)
FINANCING ACTIVITIES			
Proceeds from share issue	**8**	**-**	10,373
Share issue costs	**8**	**-**	(334)
Repayment of working capital loan	**11 (d)**	**-**	(346)
Payment of lease liabilites		**(59)**	(56)
Interest paid		**(5)**	(5)
Cash (used in)/provided by financing activities		**(64)**	9,632
Effect of exchange rate changes on cash		**302**	(71)
Net change in cash and cash equivalents		**(3,358)**	6,984
Cash and cash equivalents, beginning of the period		**6,964**	1,086
Cash and cash equivalents, end of the period		**3,908**	7,999

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 9, 2020.

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, 2019, which were prepared in accordance with IFRS as issued by the IASB.

The Group has applied the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2019.

3. 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, 2020, the Group had net assets of $6.1 million (December 31, 2019: $9.5 million) and a net working capital deficiency of $34.4 million (December 31, 2019: $8.6 million), including cash of $3.9 million (December 31, 2019: $7 million). The Group's $34.4 million working capital deficiency at September 30, 2020 largely results from:

- Convertible loans of $22 million (at December 31, 2019: $19.9 million; classified as a non-current), closed 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"), both mature on February 28, 2021 (see Notes 9); and
- Gold purchase advance payments of $15million (December 31, 2019: $14.7 million) received from Royal Gold, AG ("Royal Gold") (see Note 10) which are repayable on termination of the Gold Purchase and Sale Agreement.

These two items are classified as current liabilities as contractually repayment may be required within the next twelve months. Both convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before their maturity as explained below (see Note 9 for more details). As at the date of these condensed consolidated interim financial statements no termination or repayment notice has been received from Royal Gold.

The Company's board of directors have reviewed the Group's forecasts for the period ended December 31, 2021, in which are included all committed costs for maintaining the Ilovica-Shtuka copper project (the "Ilovica-Shtuka Project") in the Republic of North Macedonia ("Macedonia" or the "Country"), and are prepared based on the following major assumptions:

3. Going concern (continued)

- both convertible loans will be either converted into the Company's common shares or further extended later than December 31, 2021, while otherwise the potential contractual cash outflows at February 28, 2021 would be $23.1 million; and
- neither termination nor repayment notices will be received from Royal Gold for the period ended December 31, 2021.

Based on these forecasts, the directors have identified that further funding will be required to:

- repay the gold purchase advance payments, if termination or repayment notice is received from Royal Gold;
- repay both convertible loans, if neither are extended later than December 31, 2021 or converted into the Company's common shares; and
- ultimately construct and bring the Ilovica-Shtuka Project into commercial production.

The directors believe that such funding will be dependent on the outcome of the legal matter as discussed below.

On December 16, 2019 the process for termination of the Exploitation Concession for Ilovica 6 ("Termination of Ilovica 6") was completed by the Government of the Republic of North Macedonia, and this has been disputed by the Group.

As at the date of these condensed consolidated interim financial statements, the Exploitation Concession for Ilovica 11 is considered as valid, whilst the administrative process for Termination of Ilovica 6 is in dispute and in process in the lower court in the Country. There are also further steps including an appeal in the higher court in the Country, together with an option of initiating an international arbitration under the arbitration rules of the International Centre of the Settlement of Investment Disputes ("ICSID") in Washington D.C., USA, if required.

Based on independent legal advice that demonstrate that the Group is legally compliant with respect to the dispute, the Group is of the view that it has a strong legal position, and accordingly has a reasonable expectation that the administrative process related to the Termination of Ilovica 6 will be resolved in the Group's favour in line with the local Macedonian laws that would enable further progress towards the development of the Ilovica-Shtuka Project.

Whilst the directors remain optimistic that the outcome of the administrative process related to the Termination of Ilovica 6 would be positive in enabling progress towards the development of the Ilovica-Shtuka Project, the Group's funding position is also reliant on (i) the convertible loans being either converted into the Company's common shares or repayment further extended since they mature on February 28 2021, (ii) the gold purchase advance payments would not require settlement in cash until December 31, 2021, and (iii) that the Group can raise additional debt or equity funding to ultimately construct and bring the Ilovica-Shtuka Project into commercial production, of which none of these events are within the Group's control. The directors are confident that the Group's debt holders (convertible loans and gold purchase advance payments) will remain supportive. The convertible loan holders have extended the terms of the agreements in the past and Royal Gold has not called the advance gold payments to date. If either the Royal Gold's advance payments or convertible loans require settlement in cash, then the Group would need to raise additional funds either through equity (supported by existing shareholders or new shareholders) or by further debt. The directors also note that the current coronavirus (COVID-19) pandemic could have an impact upon the timing of the completion of the administrative process related to the Termination of Ilovica 6 in the Country, and therefore on the ability to raise further funds as and when required. These events are outside of the Group's control, and as such, a material uncertainty exists which may cast significant doubt about the Group's continued ability to operate as a going concern and its ability to realise its assets and discharge its liabilities in the normal course of business.

4. 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, 2019.

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.

5. Loss per share

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
	$000s	$000s	**$000s**	$000s
Net loss for the period after tax	**(1,184)**	(1,695)	**(5,137)**	(4,712)
Basic weighted average number of common shares	**331,929,522**	331,929,522	**331,929,522**	251,437,830
Basic and diluted loss per share	**(0.01)**	(0.01)	**(0.02)**	(0.02)

For the three and nine months ended September 30, 2020 and 2019, 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, 2020 and 2019.

6. Operating segments

The Group's principal 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 loss/profit 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	**2020**	2019	**2020**	2019	**2020**	2019
Finance income	**-**	-	**21**	-	**21**	-
Finance expense	**(1)**	(11)	**(1,872)**	(2,011)	**(1,873)**	(2,022)
Depreciation	**(75)**	(104)	**-**	-	**(75)**	(104)
Amortisation	**-**	(1)	**-**	-	**-**	(1)
Segment loss before tax	**(244)**	(1,944)	**(4,892)**	(2,768)	**(5,136)**	(4,712)

	Macedonia		Corporate		Total	
As at	**September 30,**	December 31,	**September 30,**	December 31,	**September 30,**	December 31,
In thousands	**2020**	2019	**2020**	2019	**2020**	2019
Segment assets	**40,711**	38,307	**3,829**	6,977	**44,540**	45,284
Segment liabilities	**354**	331	**38,074**	35,459	**38,428**	35,790

7. 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 the 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.

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 MoE 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 Government of the Republic of North Macedonia. The approval of the Merger represents a significant trigger for further development of the Ilovica-Shtuka Project.

On December 16, 2019 the process for Termination of Ilovica 6 was completed by the Government of the Republic of North Macedonia, and this has been disputed by the Group.

As at the date of these condensed consolidated interim financial statements, the Exploitation Concession for Ilovica 11 is considered as valid, whilst the administrative process for Termination of Ilovica 6 is in dispute and in process in the lower court in the Country. There are also further steps including an appeal in the higher court in Macedonia together with an option of initiating an international arbitration under the arbitration rules of the ICSID in Washington D.C., USA, if required.

Based on independent legal advice that demonstrate that the Group is legally compliant with respect to the dispute, as at September 30, 2020 the Group is of the view that it has a strong legal position, and accordingly has a reasonable expectation that the administrative process related to the Termination of Ilovica 6 will be resolved in the Group's favour in line with the local Macedonian laws that would enable further progress towards the development of the Ilovica-Shtuka Project.

However, the timing of the completion of this administrative process related to the Termination of Ilovica 6 could be influenced by and further prolonged due to the current coronavirus (COVID-19) pandemic and related uncertainties when it would be ended.

Assuming a positive resolution of this administrative process related to the Termination of Ilovica 6 that would result in the continued development of the Ilovica-Shtuka Project, as explained above, the Group believes that as at September 30, 2020 there is no need for impairment of the carrying amount of the mineral right interest for the Ilovica-Shtuka Project as presented below.

7. Mineral right interests (continued)

Macedonia (continued)

A summary of changes to the Group's mineral right interests in the nine months ended September 30, 2020 and 2019 is set out below.

	Macedonia *Ilovica-Shtuka Project*
	$000s
Balance, January 1, 2019	39,918
Exploration expenditures:	
Feasibility costs	145
Other	202
	40,265
Other items:	
Currency translation reserve movements	(2,917)
Balance, September 30, 2019	37,348
Balance, January 1, 2020	**37,793**
Other items:	
Currency translation reserve movements	**2,519**
Balance, September 30, 2020	**40,312**

8. Share capital and reserves

At September 30, 2020 Euromax's authorised share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2020 Number of shares	Amount	2019 Number of shares	Amount
		$000s		$000s
Balance on January 1	**331,929,522**	**78,544**	166,742,080	74,306
Common shares issued for:				
Financing, net of issue costs	-	-	164,649,677	4,193
Equity-settled share-based payments exercised	-	-	537,765	45
Balance on September 30	**331,929,522**	**78,544**	331,929,522	78,544

On March 22, 2019, the Group announced that a non-brokered private placement (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 conditions 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.

In 2019, the Company paid share issue costs of $0.334 million for filing and legal fees for closing the May 2019 Private Placement, of which on a proportionate basis were allocated $0.137 million to share capital and $0.197 million to share purchase warrants via the equity reserve.

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.

Further to that, as part of the May 2019 Private Placement, the Company issued 164,649,677 share purchase warrants exercisable each at a price of $0.15 at any time before May 13, 2021.

(Expressed in Canadian dollars, except number of common shares and per share amounts)

8. Share capital and reserves (continued)

The aggregate fair market value of the share purchase warrants and the shares issued in the May 2019 Private Placement was distributed on a pro-rata basis between share capital and equity reserve. Accordingly, the fair value of the share purchase warrants from the May 2019 Private Placement was estimated at $0.0367 per share purchase warrant, or in total of $6.043 million for all issued 164,649,677 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
Risk free interest rate	1.58%
Expected life	2 years
Expected volatility	50.00%
Expected dividend per share	$Nil

Following the closing of the May 2019 Private Placement, 12,195,122 share purchase warrants, issued to an 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. However, at September 30, 2020, these 12,195,122 share purchase warrants expired.

During the nine months ended September 30, 2020, 1,760,065 Restricted Share Units (“RSUs”) were cancelled, previously granted to the executive officer who left the Company in 2020, and accordingly the value of $0.443 million for these cancelled RSUs, recognised as expense in past years, was transferred from equity reserve to the accumulated losses. While in 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.

Further to that, in the nine months ended September 30, 2020, $0.374 million were transferred from equity reserve to accumulated losses, out of which $0.260 million represents a fair value of 1,850,000 share options that expired during the nine months ended September 30, 2020, while the remaining amount of $0.114 million for other share options that expired prior to January 1, 2020.

Furthermore, in 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. Subsequent to the issued consolidated financial statements for the year ended December 31, 2019, this transaction for issuing of 2.7 million share options has been considered as modification of share options as per IFRS 2 *Share-based payments*, and accordingly additional fair value of $0.094 million was allocated to the performed services, assessed by using the Black-Scholes option pricing model and by applying the assumptions such as a risk-free interest rate of 1.62% and volatility rate of 50%. Out of this additional fair value of $0.094 million, $0.093 million was recognised as expense for the three months ended September 30, 2020.

Additionally, in the nine months ended September 30, 2019, 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 Chairman of the Company’s board of directors.

In the nine months ended September 30, 2020, 64,141,834 warrants expired with exercise prices ranging from $0.23 to $0.40 per common share.

During the nine months ended September 30, 2020 and 2019, no share options and no share purchase warrants were exercised.

At September 30, 2020, the Company had 5,525,000 share options outstanding (September 30, 2019: 7,525,000) with exercise prices ranging from $0.08 to $0.43 per common share and a weighted average exercise price of $0.20 per common share.

Additionally, the Company had 164,649,677 share purchase warrants (September 30, 2019: 228,791,511) with exercise prices of $0.15 per common share and 2,217,651 RSUs (September 30, 2019: 3,977,717) outstanding at September 30, 2020.

9. Loans and borrowings

	September 30, 2020	December 31, 2019
	$000s	$000s
EBRD convertible loan	**12,592**	11,687
CCI convertible loan	**9,445**	8,223
	22,037	19,910

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

				September 30, 2020		December 31, 2019	
	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	**6,690**	**12,592**	6,534	11,687
CCI convertible loan	$	7.00%	2021	**5,200**	**9,445**	5,200	8,223
				11,890	**22,037**	11,734	19,910

EBRD convertible loan

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US$5 million ($6.69 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.

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

- the Principal Amount,
- an amount of US$1.420 million ($1.9 million) (the "Redemption Amount"),
- a finance delay fee of US$0.150 million ($0.201 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 its 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.

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).

9. Loans and borrowings (continued)

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	2020	2019
	$000s	$000s
Carrying amount at January 1	**11,687**	11,077
Adjustments recorded during the period:		
Accrued interest	**636**	910
Fair value adjustment	**(6)**	(22)
Foreign exchange movements	**275**	(324)
Carrying amount at September 30	**12,592**	11,641

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.

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 condensed consolidated interim 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, 2020 was assessed at $12.592 million (US$9.411 million) (September 30, 2019: $11.641 million or US$8.794 million), representing an increase of the liability from June 30, 2020 that resulted in fair value loss of $0.002 million for the three months ended September 30, 2020 (2019: gain of $0.025 million), and a decrease of the liability from December 31, 2019 that resulted in fair value gain of $0.006 million for the nine months ended September 30, 2020 (2019: $0.022 million).

CCI convertible loan

CCI convertible loan	2020	2019
	$000s	$000s
Carrying amount at January 1	**8,223**	8,507
Adjustments recorded during the period:		
Amount classified as equity element	**-**	(1,733)
Accrued interest	**1,222**	1,097
Carrying amount at September 30	**9,445**	7,871

The CCI convertible loan is a compound financial instrument, whereby a liability component and an equity component were 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.

9. Loans and borrowings (continued)

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

CCI convertible loan (continued)

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 an equity component.

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

10. 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 that Royal Gold 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 were not 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, 2020 and 2019:

	2020	2019
	$000s	$000s
Balance on January 1	**14,699**	15,338
Adjustments recorded during the period:		
Foreign exchange movements:		
Unrealised foreign exchange (gain)/loss	**(681)**	665
Currency translation reserve movements *	**1,035**	(1,111)
Balance on September 30	**15,053**	14,892

* Gold purchase advance payments held within subsidiary that has Euro as functional currency

11. 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 has the following related parties:

- Wheatley Project Services – private company owned by one of the Group's current key management personnels, for performing of project management services to the Ilovica-Shtuka Project; and
- Coast Invest Ltd – private company owned by one of the Group's directors, engaged from January 1, 2020 as additional support for the Group's Macedonian affairs, particularly engaged in the permitting process and for the development of the Ilovica-Shtuka Project.

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,	
	2020	2019
	$000s	$000s
Project management fees	**58**	57
Fees for the executive oversight of Macedonian operations	**164**	-
	222	57

At September 30, 2020, the Group owed Wheatley Project Services $0.003 million (December 31, 2019: $0.006 million) and $0.019 million to Coast Invest Ltd for services provided in September 2020.

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2020 and 2019 was as follows:

		Nine months ended September 30,	
	Note	**2020**	2019
		$000s	$000s
Short-term employee benefits		**857**	767
Post-employment benefits	(i)	**36**	36
Share-based payments	(iii)	**568**	(76)
		1,461	727

(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) Share-based payments are the cost 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 2020 these directors elected to receive DPUs in lieu of cash until September 30, 2020.

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.

11. Related party transactions (continued)

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

During the nine months ended September 30, 2020, following to the resignation of the executive officer of the Company, 1,287,001 DPUs became payable in cash, and accordingly $0.045 million were paid to the executive officer under that basis.

The total DPUs in issue at September 30, 2020 was 19,675,631 (September 30, 2019: 11,891,773). Share-based payment liabilities of $0.787 million (December 31, 2019: $0.358 million) are recognised as current at September 30, 2020. The DPU expense for the three and nine months ended September 30, 2020 was $0.182 million (2019: recovery of $0.236 million) and $0.472 million (2019: recovery of $0.116 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 has been fully accrued for the year ended December 31, 2017, and fully paid in 2019 as presented below:

	2020	2019
	$000s	$000s
Balance on January 1	**-**	349
Repayment of working capital loan	-	(346)
Foreign exchange movements	-	(3)
Balance on September 30	**-**	-

12. Contingencies and commitments

Apart of above presented contractual obligations, in other notes of these condensed consolidated interim financial statements, the Group had no further contingencies or commitments as at September 30, 2020.

13. Subsequent events

There have been no reportable events occur subsequent to September 30, 2020.