



MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and nine months ended September 30, 2021

## **EUROMAX RESOURCES LTD.**

Management's Discussion and Analysis  
For the three and nine months ended September 30, 2021

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### **INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") of Euromax Resources Ltd. ("Euromax" or the "Company") and its subsidiary companies (collectively, the "Group") is prepared as of November 15, 2021 and should be read in conjunction with the Group's unaudited condensed consolidated interim financial statements and related notes for the three and nine months ended September 30, 2021 ("Q3-2021" and "9M-2021") ("consolidated interim financial statements") and audited consolidated financial statements and related notes for the year ended December 31, 2020 ("FY20") ("consolidated financial statements"), both prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are consistent with those adopted and disclosed in the previous reporting periods. The Group's functional and reporting currency is the Canadian dollar and all figures in this MD&A are in Canadian dollars unless otherwise indicated.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

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

### **CORPORATE STRATEGY**

The Group's ambition is to become the leading gold and base metal mining company in Europe.

In addition, we will strive to set the standard for developing mines in Europe by using best industry practices at our operations and implementing the highest standard for environmental management and managing health and safety in the workplace.

The Group's mission is to bring an Ilovica-Shtuka copper project (the "Ilovica-Shtuka Project") in the Republic of North Macedonia ("Macedonia") into production within two years (once permitting and construction funding have been arranged) and grow the value of our business by maximising the potential of the Ilovica-Shtuka Project as our flagship asset. Delivery of value for our shareholders is key and we intend to pursue a suite of financing alternatives such that we may grow our business without diminishing value for shareholders.

As part of all our activities we will engage with and empower communities to be part of our projects and we will look to create mutually beneficial opportunities for all our stakeholders including local businesses, communities and employees.

#### ***Our Business during 9M-2021***

During 9M-2021 the Group operates in only one sector, exploration and development of mineral right interests. The Group's wholly owned Macedonian subsidiary, Euromax Resources DOO Skopje, is developing the Ilovica-Shtuka Project in Macedonia, which consists of two 30-years exploitation concessions ("Exploitation Concession for Ilovica 6" and "Exploitation Concession for Ilovica 11"), and the Group has plans to bring it into construction and ultimately commercial production.

### **9M-2021 HIGHLIGHTS**

#### ***Ilovica-Shtuka Project permitting – update***

As at the date of approval of this MD&A by the Company's board of directors (the "Board"), the Exploitation Concession for Ilovica 11 is considered as valid, whilst the administrative process for termination of the Exploitation Concession for Ilovica 6 ("Termination of Ilovica 6") is in dispute in the administrative courts in Macedonia.

During FY20 a Final Verdict was adopted by the Higher Administrative Court in Macedonia which accepted the Group's appeal against the Rejection of the Exploitation Permit request. The Rejection of the Exploitation Permit request was a legal condition for the Government of the Republic of North Macedonia to make a decision for the Termination of Ilovica 6. However, following that Final Verdict, the State Commission for Acting Upon Administrative and Employment procedures in the Second Instance ("Second Instance Commission") did not consider the Final Verdict sufficient to change their position and once again confirmed the decision for the Rejection of the Exploitation Permit request. Therefore, on February 23, 2021 a new legal case was filed before the Administrative Court to challenge this second decision of the Second Instance Commission, for which the Group already has a strongly positive legal precedent from the Final Verdict by the Higher Administrative Court in Macedonia.

Regarding the other legal case which is challenging the legality of the Government's decision to terminate the Ilovica 6 concession, on August 20, 2021 Euromax announced that the Group had received official notification of the decision of the Higher Administrative Court in Macedonia which accepted the appeal filed by the Group and annulled the previous ruling for rejecting the Group's lawsuit by the Administrative Court. However, subsequent to September 30, 2021, the Administrative Court in Macedonia ignored the Higher Administrative Court's decision and once again rejected the Group's lawsuit. The Group has filed an appeal for the second time to the Higher Administrative Court.

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### **9M-2021 HIGHLIGHTS – CONTINUED**

#### ***Ilovica-Shtuka Project permitting – update – continued***

The Group also has the option to recover the investment and potential damages from the Macedonian Government by initiating international arbitration under the arbitration rules of the International Centre of the Settlement of Investment Disputes (“ICSID”) in Washington D.C., USA.

Due to the independent domestic and international legal review of the Group's legal position relating to Termination of Ilovica 6, together with international legal remedies available, the Group's management's and directors' view is that the Group has strong legal position and accordingly there is a reasonable expectation for reaching a positive outcome of this dispute with the Government of the Republic of North Macedonia.

The completion of this administrative court process relating to the Termination of Ilovica 6 could be influenced and might be further prolonged by the current coronavirus (COVID-19) pandemic and related uncertainties.

The basis of the Group's legal position is that the approval of the merger request for Ilovica 6 and Ilovica 11 exploitation concessions, submitted on January 28, 2016, which is still pending approval by the Government of the Republic of North Macedonia, would materially change the Group's legal position as these two concessions would be merged into one new exploitation concession which would allow the submission of required documentation for the Exploitation Permit approval. The approval of the merger request represents a material trigger for further development of the Ilovica-Shtuka Project.

#### ***Non-Brokered Private Placement***

On September 22, 2021, Euromax announced the proposed non-brokered private placement (the “2021 Private Placement”) of up to approximately 21 million Units of the Company at a price of \$0.057075 per Unit, for gross proceeds of \$1.2 million.

Each “Unit” consisted of one common share of the Company (“Common Share”) and one common share purchase warrant (“Warrant”), with each Warrant exercisable for one Common Share at an exercise price of \$0.0761 for a period of three years from the date of issuance. The Warrants, if exercised in full by the holders thereof, would represent additional gross proceeds to the Group of approximately \$1.6 million.

The Company's largest shareholder, Galena Resource Equities Limited (“Galena”), an entity controlled by Galena Asset Management S.A., which is an affiliate of Trafigura Pte Ltd. (“Trafigura”), is part of the 2021 Private Placement based on the maximum allowable under Section 602 of TSX Manual for up to 15.6 million Units. Other large shareholders of the Company also subscribed to the 2021 Private Placement for 4.4 million Units. Two directors of the Company subscribed for approximately 1 million Units as part of the 2021 Private Placement.

The proceeds of the Private Placement will be used for general corporate expenses and working capital purposes.

The Company is pleased that major institutional investors, led by Galena and its parent, Trafigura, have demonstrated their continued support for the Ilovica-Shtuka Project. It is anticipated that the Group will require additional financing in the first quarter of 2022 which the Group believes will receive the support of Galena and Trafigura.

The required conditions for closing of the 2021 Private Placement were satisfied, and on October 1, 2021, the Group announced closing of the 2021 Private Placement.

#### ***Extension of convertible loans***

During 9M-2021 both convertible loans with the European Bank for Reconstruction and Development (“EBRD”) (“EBRD convertible loan”) and with CC Ilovitza (“CCI” a member of CCC Group) (the “CCI convertible loan”) were extended to February 28, 2022 (see Note 9 of the consolidated interim financial statements).

#### ***Board restructuring***

On October 1, 2021 the Company announced a Board restructuring, whereby Patrick Forward has been appointed as a Non-Executive Director, stepping down from his day to day duties as a Chief Operating Officer but he will remain as a senior technical consultant as well as being a member of the Board and Technical Committee.

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### PROJECTS

This section outlines the exploration activities carried out in the nine months ended September 30, 2021. Patrick Forward, Chief Operating Officer, is the Qualified Person responsible for the review of the technical information contained in this section of the Group's MD&A.

#### Ilovica-Shtuka Project – Macedonia

The Group's activities have been focused on resolving the issue regarding the Termination of Ilovica 6 (as explained in "9M-2021 Highlights" section above) and further advancing the permitting of the deposit.

### SELECTED INTERIM FINANCIAL INFORMATION FOR 9M-2021

(Expressed in thousands of Canadian dollars except per common share amounts)

Quarter ended	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
<b>Loss attributable to the Owners of the Company</b>								
Net loss after tax	(2,549)	(917)	(1,007)	(2,288)	(1,184)	(1,114)	(2,839)	(1,107)
Basic loss per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)
Diluted loss per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)

All figures presented above are prepared in accordance with IFRS, as well as the accounting policies were applied on a consistent basis for all presented periods.

The Group's primary focus is the exploration and development of mineral right interests and its principal project is the Ilovica-Shtuka Project. The Ilovica-Shtuka Project is not in production and therefore the Group has incurred losses and will continue to incur losses until the Ilovica-Shtuka Project is brought into commercial production.

Apart from the Group's regular operational activities that are relatively constant on a period by period basis, net loss has been influenced by fluctuations in:

- the Company's common share price, which is a key assumption in establishing fair value of (1) share-based payment liabilities and (2) the EBRD convertible loan; and
- foreign currency exchange rates.

### RESULTS OF CONTINUING OPERATIONS

#### KEY POINTS

- 9M-2021 operating loss of \$2.431 million (the nine months ended September 30, 2020 ("9M-2020"): \$3.290 million)
- 9M-2021 operating cash costs<sup>1</sup> (operating (loss)/profit excluding depreciation, share-based payments and unrealised foreign exchange (loss)/gain) decreased to \$2.352 million (9M-2020: \$3.181 million)
- 9M-2021 loss after tax attributable to the Owners of the Company of \$4.473 million (9M-2020: \$5.137 million)
- Q3-2021 loss after tax attributable to the Owners of the Company of \$2.549 million (the three months ended September 30, 2020 ("Q3-2020"): \$1.184 million)

<sup>1</sup> Non-GAAP Measure. Please refer to pages 7 and 8 for further details.

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**RESULTS OF CONTINUING OPERATIONS – CONTINUED**

	Quarter ended September 30		Nine months ended September 30	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
<i>in thousands \$</i>				
<b>Operating expenses</b>				
Accounting, legal and professional	(166)	(361)	(793)	(1,157)
Depreciation	(19)	(23)	(57)	(75)
Office and general	(48)	(58)	(171)	(245)
Salaries, director and consultant fees	(355)	(576)	(1,071)	(1,503)
Share-based payments recovery/(expense)	(413)	(276)	677	(568)
Social responsibility and other project related costs	(219)	(41)	(359)	(106)
(Loss)/gain on foreign exchange	(633)	746	(657)	364
<b>Operating loss</b>	<b>(1,853)</b>	<b>(589)</b>	<b>(2,431)</b>	<b>(3,290)</b>
Finance income	-	1	-	21
Finance expense	(695)	(625)	(2,068)	(1,873)
Fair value gain/(loss) on financial liabilities	(1)	(2)	26	6
<b>Net finance loss</b>	<b>(696)</b>	<b>(626)</b>	<b>(2,042)</b>	<b>(1,846)</b>
<b>Loss before tax</b>	<b>(2,549)</b>	<b>(1,215)</b>	<b>(4,473)</b>	<b>(5,136)</b>
Income tax expense	-	31	-	(1)
<b>Loss for the period</b>	<b>(2,549)</b>	<b>(1,184)</b>	<b>(4,473)</b>	<b>(5,137)</b>

**DETAILED ANALYSIS OF THE NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2020**

The Group recorded a net loss after tax attributable to the Owners of the Company of \$4.473 million or \$0.01 loss per share in 9M-2021, compared to a net loss of \$5.137 million or \$0.02 loss per share in 9M-2020.

The decreased loss in 9M-2021 was mainly due to the following:

- The recognised share-based payments recovery of \$0.677 million in 9M-2021, compared to expense of \$0.568 million in 9M-2020 was due to the unfavourable movement of the Company's common share price during 9M-2021 compared to 9M-2020. As disclosed in Note 11(c) of the consolidated interim financial statements, the Company's Deferred Phantom Units ("DPU's") are revalued at the Company's period-end common share price.
- Salaries, director and consultant fees decreased by \$0.432 million in 9M-2021 due to the reduced executive salaries in 9M-2021, compared to 9M-2020, following resignation of the Group's executive, which was not the case for 9M-2021.
- Accounting, legal and professional expenses decreased by \$0.364 million in 9M-2021, mainly resulting from a reduction in consultancy services and reduced fees for international lawyers compared to 9M-2020, which was partly compensated by extension fees and legal costs incurred in 9M-2021 for the extension of the EBRD convertible loan as disclosed in "9M-2021 Highlights" section above, not incurred in 9M-2020.

partly compensated by:

- The recognised loss on foreign exchange of \$0.657 million in 9M-2021, compared to gain of \$0.364 million in 9M-2020, was driven mainly due to:
  - the unfavourable movement of Euro against the US dollar during 9M-2021 compared to 9M-2020, which was reflected within the foreign exchange movements on the gold purchase advance payments liability, being denominated in US dollars and held within subsidiary that has Euro as functional currency. and partly compensated by
  - the favorable movement of Canadian dollar against US dollar during 9M-2021 compared to 9M-2020 which was reflected within the foreign exchange movements on the EBRD convertible loan.
- Social responsibility and other project related costs increased by \$0.253 million in 9M-2021, compared to 9M-2020, mainly resulted from the social responsibility programme for the Ilovica-Shtuka Project undertaken in 9M-2021.

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### RESULTS OF CONTINUING OPERATIONS – CONTINUED

#### DETAILED ANALYSIS OF THE NINE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2020 - CONTINUED

- An increase in the finance expense by \$0.195 million in 9M-2021, compared to 9M-2020, was majorly related to the increased finance interest expense on convertible loans in 9M-2021, which was accrued on the increased convertible loans' outstanding balances in 2021, compared to 2020.

#### DETAILED ANALYSIS OF THE THREE MONTHS ENDED SEPTEMBER 30, 2021 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2020

The Group recorded a net loss after tax attributable to the Owners of the Company of \$2.549 million or \$0.01 loss per share in Q3-2021, compared to net loss of \$1.184 million or \$0.01 loss per share in Q3-2020.

The increased quarter on quarter loss was mainly due to the following:

- The recognised loss on foreign exchange of \$0.633 million in Q3-2021, compared to gain of \$0.746 million in Q3-2020, was mainly due to the unfavorable movement of:
  - Canadian dollar against US dollar during Q3-2021 compared to Q3-2020 which was reflected within the foreign exchange movements on the EBRD convertible loan; and
  - Euro against the US dollar during Q3-2021 compared to Q3-2020, which was reflected within the foreign exchange movements on the gold purchase advance payments liability, being denominated in US dollars and held within subsidiary that has Euro as functional currency.
- Social responsibility and other project related costs increased by \$0.179 million in Q3-2021, compared to Q3-2020, mainly resulted from the social responsibility programme for the Ilovica-Shtuka Project undertaken in Q3-2021.
- The recognised share-based payments expense was increased by \$0.137 million in Q3-2021, compared to Q3-2020, was due to the favourable movement of the Company's common share price during Q3-2021 compared to Q3-2020.

partly compensated by:

- Salaries, director and consultant fees decreased by \$0.221 million in Q3-2021 due to the reduced executive salaries in Q3-2021, compared to Q3-2020, following resignation of the Group's executive, which was not the case for Q3-2021.
- Accounting, legal and professional expenses decreased by \$0.195 million in Q3-2021, mainly resulting from a reduction in consultancy services and reduced fees for international lawyers compared to Q3-2020.

### LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2021 the Group had following contractual obligations:

Contractual obligations	Payments due by Period				
	Total	Less than 1 year	1 - 3 years	4 - years	After 5 years
	\$000s	\$000s	\$000s	\$000s	\$000s
Debt					
Trade and other payables	405	405	-	-	-
Gold purchase advance payments	14,303	14,303	-	-	-
Lease liability	155	75	80	-	-
Loans and borrowings	24,059	24,059	-	-	-
<b>Total Contractual Obligations</b>	<b>38,922</b>	<b>38,842</b>	<b>80</b>	<b>-</b>	<b>-</b>

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### LIQUIDITY AND CAPITAL RESOURCES – CONTINUED

At September 30, 2021 the Group had cash and cash equivalents of \$0.137 million and \$0.101 million in total for other receivables and other current assets. However, as presented above, the Group also had trade and other payables of \$0.405 million, gold purchase advance payments of \$14.303 million, financial liabilities regarding two convertible loans (see Note 9 of the consolidated interim financial statements) totalling \$22.858 million (or contractual obligations of \$24.059 million for both loans), the current lease liabilities of \$0.075 million and including the current liabilities of \$1.792 million for share-based payments, the Group had a net working capital deficiency<sup>2</sup> of \$39.195 million at September 30, 2021.

The two key contributors to the Group's working capital deficiency position at September 30, 2021 are financial liabilities regarding two convertible loans and the gold purchase advance payments received from Royal Gold, AG ("Royal Gold").

Firstly, the current financial liabilities, composed of the EBRD convertible loan of \$12.801 million and the CCI convertible loan of \$10.057 million, are classified as current liabilities since both convertible loans mature on February 28, 2022. Both convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before their maturity (see Note 9 of the consolidated interim financial statements). Total contractual obligations at February 28, 2022 for these two convertible loans are \$24.059 million, out of which \$13.166 million (or US\$10.354 million) related to the EBRD convertible loan and \$10.893 million to the CCI convertible loan.

Secondly, the Gold purchase advance payments are classified as current liabilities since Royal Gold has the contractual capacity to issue a termination notice that may require the Group to repay the outstanding advance payments within 60 days of receiving such notice (see Note 10 of the consolidated interim financial statements). As at the date of approval of this MD&A by the Company's board of directors, no termination or repayment notice has been received from Royal Gold.

As the Group is in the exploration and evaluation stage of the mining life cycle, the Group does not generate cash inflow from its operating activities. The Group's ability to continue operations is contingent on its ability to obtain additional financing and progress the Ilovica-Shtuka Project into commercial production. Refer to Note 3 of the consolidated interim financial statements.

#### Operating Activities

<i>in thousands \$</i>	Nine months ended September 30	
	2021 (Unaudited)	2020 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(4,473)	(5,136)
<i>Add back:</i>		
Depreciation	57	75
Finance income	-	(21)
Finance expense	2,068	1,873
Share-based payments (recovery)/expense	(677)	523
Unrealised foreign exchange loss/(gain)	699	(534)
Expensed transaction costs associated with convertible loans	63	-
Fair value gain on financial liabilities	(26)	(6)
<b>Sub-total</b>	<b>(2,289)</b>	<b>(3,226)</b>
<i>Changes in non-cash working capital items:</i>		
(Increase)/decrease in other receivables and other current assets	(52)	153
Increase/(Decrease) in trade and other payables	35	(240)
Income tax paid	(43)	(1)
<b>Cash used in operating activities</b>	<b>(2,349)</b>	<b>(3,314)</b>

Cash used in operating activities during 9M-2021 was \$2.349 million compared to \$3.314 million in 9M-2020. This decrease of \$0.965 million in 9M-2021 was mainly due to the decreased cash payments of \$0.937 million from operating activities (from \$3.226 million in 9M-2020 to \$2.289 million in 9M-2021) mainly due to the decreased level of (i) accounting, legal and professional expenses, and (ii) salaries, director and consultant fees that were incurred in 9M-2021, compared to 9M-2020, and partly compensated by the increased level of Social responsibility and other project related costs in 9M-2021, as explained in "Result of Continuing Operations" section above.

<sup>2</sup> Non-GAAP Measure. Please refer to pages 7 and 8 for further details

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### LIQUIDITY AND CAPITAL RESOURCES – CONTINUED

#### Financing Activities

<i>in thousands \$</i>	Nine months ended September 30	
	2021	2020
	(Unaudited)	(Unaudited)
<b>FINANCING ACTIVITIES</b>		
Transaction costs associated with convertible loans	(126)	-
Payment of lease liabilities	(56)	(59)
Interest paid	(4)	(5)
<b>Cash used in financing activities</b>	<b>(186)</b>	<b>(64)</b>

During 9M-2021 the Group paid extension fees and legal costs of \$0.126 million to extend both convertible loans, as disclosed in "9M-2021 Highlights" section above, \$0.056 million (9M-2020: \$0.059 million) for leases, and additional \$0.004 million (9M-2020: \$0.005 million) as interest payment.

#### Investing Activities

<i>in thousands \$</i>	Nine months ended September 30	
	2021	2020
	(Unaudited)	(Unaudited)
<b>INVESTING ACTIVITIES</b>		
Purchases of land, property, plant and equipment and intangible assets	-	(1)
Interest received	-	21
<b>Cash provided by investing activities</b>	<b>-</b>	<b>20</b>

No transactions were incurred regarding the investing activities during 9M-2021, while in 9M-2020 cash of \$0.020 million was mainly provided by the Group's investing activities in form of the interest received of \$0.021 million.

The table below summarises the expenditures incurred on the Group's key projects during 9M-2021 and 9M-2020.

	Macedonia
	Ilovica-Shtuka Project
	\$000s
Balance, January 1, 2020	37,793
Other items:	
Exchange differences	2,519
<b>Balance, September 30, 2020</b>	<b>40,312</b>
Balance, January 1, 2021	40,374
Other items:	
Exchange differences	(2,115)
<b>Balance, September 30, 2021</b>	<b>38,259</b>

### NON-GAAP MEASURES

The Company has included a non-GAAP performance measure, namely operating cash costs, in this document. Mineral exploration companies are reliant on continuously sourcing funding until commercial production is reached and hence minimising cash outflows from administrative costs is a key objective. In addition to conventional measures prepared in accordance with GAAP, the Company and certain investors use this information to evaluate the Company's cash-burn rate. This non-GAAP measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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### NON-GAAP MEASURES

The following table provides a reconciliation of the operating cash costs for the three and nine months ended September 30, 2021 and 2020.

<i>in thousands \$</i>	Quarter ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Operating loss - per financial statements	(1,853)	(589)	(2,431)	(3,290)
Add/(Less):				
Share-based payments (recovery)/expense	413	276	(677)	568
Depreciation	19	23	57	75
Unrealised foreign exchange loss/(income)	617	(905)	699	(534)
<b>Total Operating cash costs</b>	<b>(804)</b>	<b>(1,195)</b>	<b>(2,352)</b>	<b>(3,181)</b>

The other non-GAAP measure used is net working capital deficiencies which represents the difference between current liabilities and current assets.

### RELATED PARTY TRANSACTIONS

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

#### (a) Key management personnel transactions

The Group's related parties are as follows:

- Wheatley Project Services – private company owned by one of the Group's current key management personnel, for performing of project management services to the Ilovica-Shtuka Project; and
- Coast Invest Ltd and ARQX Capital DWC Ltd – private companies owned by one of the Group's directors, as additional support for the Group's Macedonian affairs, particularly engaged in the permitting process and for the development of the Ilovica-Shtuka Project, provided by both companies, whereby Coast Invest Ltd was engaged for the period ended May 31, 2021, and ARQX Capital DWC Ltd has been engaged from June 1, 2021.

For both services an annual fee has been agreed, paid in monthly instalments, and that annual fee was set based on advice from third party human resource consultants as being a fair market price for such services.

The Group incurred the following fees and expenses in the normal course of operations in connection with related parties. Expenses incurred by related parties are reimbursed by the Group at their original cost.

	Nine months ended September 30,	
	2021	2020
	\$000s	\$000s
Project management fees	2	58
Fees for Macedonian affairs and for support of the permitting process of the Ilovica-Shtuka Project	162	164
	164	222

At September 30, 2021, the Group fully paid all payables for the services performed by its related parties (December 31, 2020: \$0.018 million owed to Coast Invest Ltd).

#### (b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the nine months ended September 30, 2021 and 2020 was as follows:

	Note	Nine months ended September 30,	
		2021	2020
		\$000s	\$000s
Short-term employee benefits		466	857
Post-employment benefits	(i)	19	36
Share-based payments (recovery)/expense	(ii)	(698)	568
		(213)	1,461

- Some executive directors and some key management personnel receive pension contributions ranging from 5% to 10% of their salary to their individual pension plans.
- Share-based payments (recovery)/expense is the income/expense from share options, Restricted Share Units ("RSUs") and Deferred Phantom Units ("DPU") granted to directors and key management personnel.

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### CONTRACTUAL COMMITMENTS

The Group had no future contractual obligations as at September 30, 2021, except to those already disclosed in the consolidated interim financial statements and in this MD&A.

### CRITICAL ACCOUNTING ESTIMATES

The Group's significant accounting policies are summarised in Note 3 of the consolidated financial statements. The preparation of the consolidated interim financial statements is in accordance with IFRS, as issued by the IASB, requires management to select accounting policies and make estimates that may have a significant impact on the consolidated interim financial statements.

The Group regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

The Group's significant estimates include:

- *Carrying values of mineral right interests – Macedonian operating segment*

The Group reviews the carrying value of its mineral right interests to determine whether there is any indication that those assets are impaired which includes the estimate on the legal title (management's judgement regarding this is covered in the paragraph below), whether there are plans for further activity and exploration. The calculated recoverable amount may be based on assumptions about future events or circumstances and estimates and assumptions may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalised is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

Based on the assumption of a positive resolution of the legal situation which would result in opening opportunities for further progressing of the Ilovica-Shtuka Project, the directors and management have considered the current administrative process pertaining to the licence and based on legal advice consider the Group to maintain legal title (see Note 7 of the consolidated interim financial statements for more details).

- *Valuation of share-based payment arrangements – Corporate operating segment*

The Group measures the cost of share-based payment arrangements with employees and consultants by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair values for share-based payment arrangements requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them.

The Black-Scholes option pricing model was developed for the use in estimating the fair value of share options and share purchase warrants that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Group uses expected volatility rates which are based upon their historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

For those share-based payment arrangements that have non-market performance conditions, the Group is assessing the number of equity instruments that are expected to be vested by applying the best available estimation of the related services and non-market performance conditions, associated to these arrangements, that are expected to be met. This estimation of how much equity instruments are expected to be vested is revised at each reporting period.

- *Measurement of the EBRD convertible loan – Corporate operating segment*

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 value of the option varies under the different possible financial scenarios. To value each of these, management prepared a model using market observable information assumptions both available generally and specific to the EBRD convertible loan agreement which was filed on SEDAR. These assumptions, 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 estimate of the likelihood of each scenario occurring. This probability weighting is 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.

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Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

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### CRITICAL ACCOUNTING ESTIMATES – CONTINUED

- *Right-of-use asset and lease liabilities – Macedonian operating segment*

The Group recognised a right-of-use asset and a lease liability at the present value of the remaining lease payments.

The Group has applied judgement to determine the lease term for some lease contracts in which 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.

The lease liability is measured at the present value of the lease payments that are not paid at the reporting date, discounted using its incremental borrowing rate of 7% applied for both convertible loans (see Note 9(a) of the consolidated interim financial statements).

### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Euromax's financial instruments are presented below.

#### *Financial assets*

At September 30, 2021, financial assets held by the Group consist of cash and cash equivalents of \$0.137 million, other receivables and other current assets in total of \$0.101 million, as disclosed in the "Liquidity and Capital Resources" section above. The Group is not exposed to significant interest or credit risks arising from these financial instruments, but exposed to currency risk, the overall net effect of this risk is disclosed in the "Sensitivity analysis on the currency risk" sub-section below. Cash and cash equivalents are used for paying the Group's operations, while other receivables and other current assets represent tax receivables (value added taxes from Canadian, Macedonian and UK tax authorities and tax advances paid to Macedonian tax authorities) and prepayments paid for the regular Group's operations.

#### *Financial liabilities*

Financial instruments recognised as financial liabilities at September 30, 2021 are as follows: trade and other payables of \$0.405 million, gold purchase advance payments of \$14.303 million, lease liabilities of \$0.155 million and financial liabilities regarding two convertible loans of \$22.858 million.

Only one financial instrument, i.e. EBRD convertible loan is designated at fair value through profit or loss ("FVTPL"), and accordingly fair value gain of \$0.026 million was recognised in 9M-2021 (9M-2020: \$0.006 million). The assumptions used for determining of the fair value of the EBRD convertible loan are disclosed in "Critical Accounting Estimates" section above, as well as in Note 9(b) of the consolidated interim financial statements. All other financial liabilities are classified as measured at amortised cost. Further to that, CCI convertible loan is a compound financial instrument, whereby liability and equity component were recognised, and subsequent to the initial recognition a liability component is measured at amortised cost by using the effective interest method (see Note 9(b) of the consolidated interim financial statements for more details).

Gold purchase advance payments and both convertible loans were issued for the purpose of financing the Group's operations and the development of the Ilovica-Shtuka Project.

The liquidity risk associated with these financial liabilities is disclosed in the "Liquidity and Capital Resources" section above.

Interest expense is accrued by applying the fixed interest rate for both convertible loans, whereby expense of \$2.054 million was recognised in 9M-2021 (9M-2020: \$1.858 million), and therefore the change in the market interest rate would not further affect the Group's profit or loss. No interest expense is charged to other financial instruments.

The Group is exposed to the exchange rate between US dollar and Canadian dollar for the EBRD convertible loan, which is denominated in US dollars, and between US dollar and Euro for the gold purchase advance payments, which is denominated in US dollars and held within subsidiary that has Euro as functional currency. Accordingly, for 9M-2021 the Group recognised unrealised gain on foreign currency of \$0.054 million for the EBRD convertible loan (9M-2020: loss of \$0.275 million) (see Note 9(b) of the consolidated interim financial statements for more details) and unrealised loss on foreign currency of \$0.766 million for the gold purchase advance payments (9M-2020: gain of \$0.681 million) (see Note 10 of the consolidated interim financial statements for more details).

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Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – CONTINUED

#### *Sensitivity analysis on the currency risk*

The summary of the Group's exposure to currency risk as at September 30, 2021 is as follows

<b>Balance on September 30, 2021</b>	<b>U.S. Dollar</b>	<b>British Pound</b>	<b>Macedonian Denar</b>	<b>Euros</b>	<b>Total</b>
	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
Cash and cash equivalents	3	7	53	66	129
Other financial assets	-	2	56	1	59
Loans and borrowings	(12,801)	-	-	-	(12,801)
Lease liability	-	-	(155)	-	(155)
Gold purchase advance payments	(14,303)	-	-	-	(14,303)
Other financial liabilities	(112)	(31)	(146)	(93)	(382)
<b>Net financial assets / (liabilities)</b>	<b>(27,213)</b>	<b>(22)</b>	<b>(192)</b>	<b>(26)</b>	<b>(27,453)</b>

Based on the sensitivity analyses, a 10% decrease/increase of the Canadian dollar would result in an increase/decrease of approximately \$2.745 million in the Group's loss for 9M-2021. The Group does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

### OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES

The following risk factors, as well as risks not currently known to the Group, could materially adversely affect the Group's future business, operations and financial position and could cause them to differ materially from the estimates described in the forward-looking statements and information contained herein. The risks set out below include those that are widespread and associated with any form of business and those that are specific risks associated with the Group's business and its involvement in the exploration and mining industry generally, and in south-eastern Europe in particular. Shareholders and prospective investors should carefully consider, in light of their own financial circumstance, the factors set out herein.

The directors and management of Euromax are monitoring the global crisis regarding coronavirus (COVID-19) pandemic. There is likely to be some business disruption caused by the outbreak including potential delays to the resolution of the current administrative process related to the Termination of Ilovica 6. However, the directors and management do not consider that there would be an immediate impact on the Group's statement of financial position and will continue to monitor the situation closely.

#### **Title Matters**

The Group cannot guarantee that title to its properties will not be challenged. The Group's mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, the Group might be unable to operate its properties as permitted or to enforce its rights with respect thereto.

The Termination of the Ilovica 6 Exploitation Concession is outlined in the "9M-2021 Highlights" section above and in Note 7 of the consolidated interim financial statements. For clarity, the Exploitation Concession for Ilovica 11 remains in place and valid. Following independent domestic and international legal advice that has reviewed the Group's legal position, together with local and international legal remedies available, the Group is working towards the resolution of this situation regarding the Exploitation Concession for Ilovica 6.

#### **Permitting Requirements**

Mining operations require mining and other permits from the government. These permits may not be issued on a timely basis or at all, and such permits, when issued, may be subject to requirements or conditions with which it is burdensome or expensive to comply. Furthermore, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of existing permits, additional permits for any possible future changes to operations, or additional permits associated with new legislation.

## **EUROMAX RESOURCES LTD.**

Management's Discussion and Analysis

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED**

#### **Economic and Political Instability in Emerging Market Jurisdictions**

During 9M-2021, the Group operated in the Republic of North Macedonia, so there are risks to conducting business associated with emerging market economies. These risks may include, among others, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war, civil disturbances, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations, delays in obtaining or the inability to obtain necessary governmental permits, authorizations and consents, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Group of its legal rights to exploit its properties may not be recognised by any foreign government or by the court system of a foreign country. These risks may limit or disrupt the Group's operations, restrict the movement of funds or result in the deprivation of mining related rights or the taking of property by nationalisation or expropriation without fair compensation.

During 2020 the Republic of North Macedonia became a member of the North Atlantic Treaty Organisation ("NATO") and got positive decision from the Council of Europe for opening of negotiation talks with EU, however the first inter-governmental session which represents an official start of negotiation talks with EU has been blocked and has not been held yet.

#### **Dependence on Third Party Financing**

The Group currently has no source of operational cash flow, further funds would be required to: (i) cover the committed costs for maintaining of Ilovica-Shtuka Project during Q1 2022; (ii) cover any costs associated with potential international arbitration; (iii) repay both convertible loans and gold advance purchase payments, if required; and (iv) construct and bring the Ilovica-Shtuka Project into commercial production. As a result, the Group will continue to depend on third party financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time for junior exploration and development companies to attract significant amounts of debt and/or equity. There can be no assurance that such financing will be available to the Group or, if it is, that it will be offered on acceptable terms. Failure to obtain sufficient financing, as and when required, may result in a delay or indefinite postponement of exploration or development on any or all of the Group's properties.

#### **Fluctuation of Commodity Prices**

The Group's exploration and other mining activities have previously been, and may in the future be, significantly adversely affected by declines in gold and copper prices. Commodity prices are volatile and are affected by numerous factors beyond the Group's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major mining countries throughout the world.

A sudden fall in commodity prices or sustained low commodity prices could adversely impact the Group's future revenues, profits and cash flows. In particular, sustained low, or further reductions in, commodity prices could:

- reduce or eliminate the Group's ability to finance the exploration of existing and future mineral projects;
- force the Group to lose its interest in, or to sell, all or some of its properties;
- halt or delay the development of existing or new projects; and
- reduce the value of the Group's securities.

Furthermore, declining or sustained low commodity prices could impact the Group's operations by requiring a reassessment of the feasibility of any existing or new projects. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

#### **Carrying Value of Mineral Right Interests**

Based on annual impairment reviews made by management, in the event that the long-term expectation is that the net carrying amount of certain capitalised development and exploration costs will not be recovered, then the carrying amount is written down to the appropriate recoverable amount, with the write-down amount charged to the statement of profit or loss. These write-downs could occur if: the legal title is lost, the carrying amounts of the capitalised costs exceed the related undiscounted net cash flows of reserves and/or its fair value less costs to sell; exploration activities have ceased; exploration results are not promising such that exploration will not be planned for the foreseeable future; or insufficient funding is available to complete the development and exploration programme.

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Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED**

#### **Carrying Value of Mineral Right Interests – continued**

Expected future cash flows are inherently uncertain, and could materially change over time. They are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold and copper prices, discount rates, foreign currency exchange rates, estimates of costs to produce reserves and future capital expenditures. If any of these uncertainties occur either alone or in combination, it could require management to recognise an impairment, which could adversely affect the Group's business, results of operations and financial position.

#### **Dilution**

The Group may require additional funds to fund development and exploration programmes and potential acquisitions. The Group cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Group's securities will have on the market price of the common shares. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial amounts of common shares, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Group's securities.

#### **Share Price Volatility**

In recent years, the world securities markets, including those in Canada, have experienced a high level of price and volume volatility and the market price of securities of many companies, including the Company, have experienced wide fluctuations in price which have not necessarily been related to operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in share price will not occur.

#### **Corruption and Bribery**

As part of progressing the development of the Ilovica-Shtuka Project, the Group has interactions with many levels of government in Macedonia. The Government of the Republic of North Macedonia has introduced a law on prevention of corruption and established a State Commission for Prevention of Corruption aimed at reducing bribery or corruption in Macedonia.

Transparency International's annual Corruption Perceptions Index scores and ranks countries according to their perceived levels of public sector corruption on a scale where 0 is a country perceived to be highly corrupt to 100 depicting a country perceived as very clean. For 2020, Macedonia scored 35 and ranking it in 111<sup>th</sup> position out of 180 countries, declining from 106 position in 2019.

The Group is required to comply with anti-bribery and corruption laws including the Canadian Corruption of Foreign Public Officials Act. Additionally, the Group has contractual commitments to comply with the standards and requirements of the EBRD. The Group has developed and adopted a Code of Business Conduct and Ethics and also an Anti-Corruption and Bribery Policy which are intended to mitigate these risks, and are enforced with the Group's employees, consultants and contractors. The Group makes every effort to ensure the Group's employees, consultants and contractors comply with all applicable laws and if found liable the Group may face significant fines or penalties.

#### **Currency Risk**

The Group maintains most of its working capital in US dollars. The Group currently operates in Macedonia and its operating costs are incurred in a combination of Macedonian denars, Canadian dollars, British pounds or Euros. Accordingly, the Group is subject to fluctuations in the rates of currency exchange between these currencies. The Group has not hedged its exposure to currency fluctuations.

#### **Resource Estimates**

The mineral resource estimates presented herein are made by the Group's personnel and independent geologists. These estimates depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that estimates will be accurate. The inclusion of mineral resource estimates should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that such resource estimates will be converted into reserves. Different experts may provide different interpretations of resource estimates.

## **EUROMAX RESOURCES LTD.**

Management's Discussion and Analysis

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED**

#### **Dependence on Key Personnel**

The success of the Group and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Group may have a material adverse effect on the Group. The Group does not presently have "key person" life insurance for any of its officers.

#### **Capital and Operating Cost Risks**

The Group's forecasts and technical reports are based on a set of assumptions current as at the date of completion of these forecasts and studies. The realised operating and capital costs achieved by the Group may differ substantially owing to factors outside the control of the Group, including currency fluctuations, supply and demand factors for the equipment and supplies, global commodity prices, transport and logistics costs and competition for human resources. Though the Group incorporates a level of contingency in its assumptions, these may not be adequate depending on market conditions.

The mining business is capital intensive and the development, exploration and exploitation of mineral reserves and resources and the acquisition of machinery and equipment require substantial capital expenditure. The Group's Ilovica-Shtuka Project will involve significant capital expenditure to progress.

Further, the Group relies on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for the continuing exploration and development of the Ilovica-Shtuka Project. As a result, the Group's operations at its sites are subject to a number of risks, some of which are outside of the Group's control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events and failure of a supplier or contractor to perform under its agreement with the Group. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, results of operations and financial position.

#### **External & Geopolitical risks**

To the extent that the economy deteriorates for an extended period of time, the prospects for the Group's business could be materially harmed. In addition, the Group's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, may create further uncertainty and risk with respect to the prospects of the Group's business.

#### **Government Regulation**

Mineral businesses are subject to regulation and intervention by governments in such matters as the imposition of specific exploration, drilling and development obligations; environmental protection controls and control over the development and abandonment of resource (including restrictions on production). As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of commodities. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the minerals industries could reduce demand for commodities produced, increase the Group's operating costs and have a material adverse impact on the Group's results of operations and financial position.

#### **Operating Hazards and Other Uncertainties**

The Group's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including:

- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labour disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- unusual or unexpected geological or operating conditions;
- fire;
- changes in the regulatory environment; and
- natural phenomena such as inclement weather conditions, floods and earthquakes.

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Management's Discussion and Analysis

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED**

#### **Operating Hazards and Other Uncertainties – continued**

These or other occurrences could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Group could also incur liabilities as a result of pollution and other casualties all of which could be very costly and could have a material adverse effect on the Group's financial position and results of operations.

#### **Health, Safety and Community Relations**

The Group's operations are subject to various health and safety laws and regulations that impose various duties on the Group's operations relating to, among other things, worker safety and surrounding communities. These laws and regulations also grant the authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance of such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Group's operations. The Group has made, and expects to make in the future, significant expenditure to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, create social and economic benefit in the surrounding communities.

As a mining business, the Group may come under pressure in the jurisdictions in which it operates, or will operate in the future, to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which they operate) benefit and will continue to benefit from the Group's commercial activities, and/or that the Group operates in a manner that will minimise any potential damage or disruption to the interests of those stakeholders. The Group currently maintains good relations with local communities in the areas in which it operates and has a demonstrable track record of promoting community and social relations activities for the benefit of local communities. However, the Group may face opposition with respect to its current and future development and exploration projects which could materially adversely affect the Group's business, results of operations and financial position.

Further, certain NGOs, some of which oppose globalisation and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or the Group's operations specifically, could have an adverse effect on the Group's reputation and financial position and may impact its relationship with the communities in which it operates. The Group seeks to mitigate this risk by its commitment to operate in a socially responsible manner. However, there can be no guarantee that the Group's efforts in this respect will mitigate this potential risk.

The Group may also be held responsible for the costs of addressing contamination at the site of current or former activities and could be held liable for exposure to hazardous substances. The costs associated with such responsibilities and liabilities may be significant.

#### **Environmental Risks**

All phases of the Group's operations are subject to environmental regulation in the various jurisdictions in which it operates. There is no assurance that the Group will have or be able to obtain all necessary environmental approvals, licenses, permits or consents or be in compliance therewith or that notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) will not occur. The lack of or inability to obtain any such approvals, licences, permits or consents or any breaches of environmental laws, may result in penalties including fines or other sanctions, breach of the conditions of a mining concession or other consent or permit with possible revocation of the concession, consent or permit. In this regard, environmental hazards may exist on the properties in which the Group has an interest which are unknown to the Group at present and which have been caused by previous or existing owners or operators of the properties.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, won't adversely affect the Group's operations, or its ability to develop its properties economically.

## **EUROMAX RESOURCES LTD.**

Management's Discussion and Analysis

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED**

#### **Non-Canadian Assets and Management**

While the Company is incorporated under the laws of British Columbia and its registered office is located in Vancouver, the Group has office in Skopje, Republic of North Macedonia. Furthermore, its officers and directors and substantially all of the assets of the Company are located outside Canada. It may not be possible for holders of securities to effect service of process within Canada upon such officers and directors who reside outside Canada. There may be difficulty in enforcing against the Company's assets and judgments obtained in Canadian courts predicated upon the provisions of applicable Canadian provincial securities legislation may not be recognised or enforceable in jurisdictions where the Company's officers or directors reside or where the Company's assets are located.

#### **Shortage of qualified skilled labour workers in the Republic of North Macedonia**

An increase in worldwide demand for skilled labour may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

#### **Competition**

The Group faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious or base metals. The majority of these companies have greater financial resources, operational experience and technical capabilities. As a result, there can be no assurance that the Group will be able to compete successfully against other companies in acquiring new prospecting, development or mining rights.

#### **Insurance Coverage Could Be Insufficient**

While the Group maintains insurance to protect against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Group cannot insure or against which it may elect not to insure. Losses from these events may cause substantial delays and require significant capital outlays, adversely affecting future results of operations and financial position.

#### **Litigation Risks**

All industries, including the mining industry, are subject to legal claims. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Group's financial position and results of operations.

#### **Tax Matters**

Euromax's tax residency is affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If ever Euromax was assessed to be not tax resident in Canada, it may be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this could have a material adverse effect on the Group's business, results of operations and financial condition. Further, the income tax consequences to holders of common shares would be different from those applicable if Euromax was a tax resident in Canada.

#### **No Dividends**

The Group has never paid dividends. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends for the foreseeable future. Furthermore, the Group may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in common shares in the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Group's board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and such other factors deemed by the board of directors to be relevant at the time.

## **EUROMAX RESOURCES LTD.**

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED**

#### **Mineral Exploration**

Mineral resource exploration is highly speculative, involves substantial expenditures, and is frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. To the extent that the Group continues to be involved in exploration, the long-term success of its operations will be related to the cost and success of its exploration programmes. There can be no assurance that the Group's exploration efforts will be successful. The success of exploration is determined in part on the following factors:

- the identification of potential mineralisation based on superficial analysis;
- availability of prospective land;
- availability of government-granted exploration and exploitation permits;
- the quality of management, geological and technical expertise; and
- the capital available for exploration and development.

Substantial expenditures are required to determine if a project is economically feasible. It could take several years to establish proven and probable mineral reserves and to develop and construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that current and future exploration programmes will result in the discovery of mineral reserves and the development of mines.

#### **Conflicts of Interest**

Certain of the directors and officers of the Group are directors or officers of other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Group may participate, the directors of the Group may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors of the Group, a director who has such a conflict will abstain from voting for or against the approval of such matter. Furthermore, in appropriate cases the Group will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Group has no off-balance sheet arrangements that are not disclosed with the Commitments section above.

#### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining the Group's disclosure controls and procedures ("DC&P"), including adherence to the Group's Disclosure, Confidentiality and Insider Trading Policy ("Disclosure Policy") previously adopted by the Group. The Disclosure Policy requires that all staff must keep the Group's Disclosure Officers namely, the Executive Chairman of the Board ("Executive Chairman"), the President and the Chief Financial Officer ("CFO") fully apprised of the Group's developments so that they are in a position to evaluate and discuss though event that may impact on the disclosure process. The Group's board of directors must also be kept aware of all material developments and significant information disseminated to the public.

Management is also responsible for the design of internal controls over financial reporting ("ICFR"). The Group's ICFR framework includes the policies and procedures that (i) govern the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Group are being made only in accordance with authorisation of the directors and officers of the Group; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Group's consolidated financial statements.

The Executive Chairman and CFO evaluated the effectiveness of the Group's DC&P and ICFR as required by NI 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and they concluded that as of September 30, 2021, the Group's design and operation of its DC&P and ICFR were effective in providing reasonable assurance that all material information disclosed in this MD&A and in the consolidated interim financial statements was made known to them on a timely basis and reported as required, as well as presented fairly in all material aspects. The Executive Chairman and CFO also concluded that no material weaknesses existed in the design of the ICFR.

Due to inherent limitations, ICFR and DC&P may not prevent or detect all fraud or misstatements. Further, the effectiveness of ICFR and DC&P may become inadequate due to changes in conditions, or that the degree of compliance with policies and procedures may change. The Group will continually monitor and review the effectiveness of the Group's ICFR and DC&P and may make changes from time to time as considered necessary or desirable.

## **EUROMAX RESOURCES LTD.**

Management's Discussion and Analysis

For the three and nine months ended September 30, 2021

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### **FORWARD-LOOKING STATEMENTS**

This document contains statements that are forward-looking, such as those relating to the Group's strategic and financing plans; property search, exploration and development plans; potential expansion and upgrading of known mineralisation or resources; estimated levels of mineral resources and expenditures; completion of preliminary economic assessments; prefeasibility and feasibility studies; the timing and receipt of permits and other third-party approvals; and potential production on the Group's properties. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may", "could", "would", "might" or "will" occur.

Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, including that the key assumptions and parameters on which resource estimates and drilling and geological interpretations are based are reasonable and that the Group will be able to obtain the necessary financing, supplies, equipment, personnel and permits to carry out its planned activities.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks include but are not limited to: risks related to international operations, including economic and political instability in foreign jurisdictions in which the Group operates; risks related to current global financial conditions; risks related to joint venture operations; actual results of current exploration activities; environmental risks; future prices of gold; possible variations or uncertainties relating to the accuracy of mineral reserves, mineral resources, grade or recovery rates; uncertainties related to feasibility studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project; mine development and operating risks; uncertainties related to unexpected judicial or regulatory proceedings; changes in, and the effects of, the laws, regulations and government policies affecting our exploration and development activities and mining operations, particularly laws, regulations and policies; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; exchange rates, particularly with respect to the value of the US dollar, and the continued availability of capital and financing.

The forward-looking statements contained in this document are subject to change after this date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Euromax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

### **SUBSEQUENT EVENTS**

Subsequent to September 30, 2021 following reportable events have occurred:

- On October 1, 2021 the 2021 Private Placement was closed, whereby 20.9 million Units were issued for gross proceed of \$1.2 million.
- On October 1, 2021 the Company announced a Board restructuring, whereby Patrick Forward has been appointed as Non-Executive Director, stepping down from his day to day duties as Chief Operating Officer. He will remain as a senior technical consultant as well as being a member of the Board and Technical Committee.
- During October 2021, the Administrative Court in Macedonia ignored the instructions of the Higher Administrative Court and again rejected the Company's lawsuit challenging the Termination of Ilovica 6. An appeal for the second time has been filed to the Higher Administrative Court.

### **OTHER MD&A REQUIREMENTS**

As of November 15, 2021, the Group had outstanding 352,906,200 common shares, 20,976,678 share purchase warrants, 8,728,603 share options, with exercise prices ranging from \$0.03 to \$0.35 per share and 2,491,155 restricted share units. Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Group's website [www.euromaxresources.com](http://www.euromaxresources.com).