



CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020

Expressed in Canadian dollars

# Euromax Resources Ltd.

December 31, 2021 and 2020

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## Independent auditor's report to the shareholders of Euromax Resources Ltd.

### Opinion

We have audited the consolidated financial statements of Euromax Resources Ltd and its subsidiaries (the Group), which comprise the Consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the Consolidated statements of profit or loss and other comprehensive income or loss, the Consolidated statements of cash flows, Consolidated statements of changes in equity for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 3(a) in the financial statements which sets out that the Group will require additional funding to cover its overhead costs beyond May 2022 and repay its gold purchase advance payments and convertible loans if called by the lenders.

As stated in Note 3(a), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern to be a key audit matter having considered:

- the ability of the Group to raise additional funds by May 2022 when current levels of cash are forecast to run out, and the uncertainty over the level of cash required to fund the ongoing legal case disclosed in note 7;
- the potential advance payments repayable to Royal Gold Inc. which could be recalled by the lender within 60 days; and
- the EBRD and CCI convertible loans which after being extended, mature on 28 February 2023.

We performed the following audit procedures in response to this key audit matter.

- We obtained management's cash flow forecast for the period to 31 May 2023 and through recalculation tested the integrity of the model.
- We validated the February cash position by agreeing it to bank statement.
- We obtained management's base case cash flow forecast, challenging the key operating assumptions based on 2021 and 2022 year to date actual results.
- We considered management's ability to raise to additional funds from their shareholders before May 2022 when cash is forecast to run out. While management could not provide us any assurance further cash would be generated, they demonstrated that the Group has a recent track record of raising funds, including during October 2021 and February 2022.
- We reviewed the agreement allowing the Group to extend the maturity of its convertible loans to 28 February 2023 and made inquiries of the Directors over whether a termination or repayment notice had been received from Royal Gold Inc. We note that if the convertible loans are not extended past February 2023 or if the advance payment from Royal Gold is called additional funding will be required.
- We reviewed the adequacy and completeness of disclosures in the financial statements in respect of going concern.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
<p><b>Carrying value of intangible assets</b></p> <p><b>Refer to note accounting policy 3i, note 4 (b) (i) and note 7.</b></p>	<p>The exploration assets are the most significant assets on the Group's balance sheet and relate to the exploration license acquisition costs and subsequently capitalised exploration expenditure incurred on the Group's Project, Illova-Shtuka. As at 31 December 2021, the Group's capitalized exploration costs amounted to \$37.5 million (31 December 2020: \$40.3 million).</p> <p>Under the requirements of applicable accounting standards there is an impairment trigger if the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.</p> <p>The Group is currently undergoing legal proceedings in the Macedonian court in relation to the 'Rejection Resolution' and 'Termination of License' for Illova 6. As there is significant uncertainty over both the current legal title of the asset and the future outcome of the legal case, we consider the carrying value of intangible assets is a key audit matter.</p>	<p>Due to the legal uncertainty and ambiguity as a result of the ongoing court cases, which could result in the legal rights over Illova 6 being lost, we have undertaken the following procedures:</p> <ul style="list-style-type: none"> <li>- We assessed the competency, independence and objectivity of the third-party legal advisors engaged by management to assist them with their legal proceedings;</li> <li>- We obtained a formal opinion from management's third-party legal advisor in Macedonia over whether the Group currently has the right to explore the Illova 6 licence, and if not whether their right to explore is expected to be renewed;</li> <li>- We have met with other third party legal advisors who have assisted the Company prepare for International Arbitration should they not be successful in the Macedonian Courts to understand the Company's legal position; and</li> <li>- We have reviewed correspondence with the government in Macedonia, the local courts and with management's third-party legal advisors and performed our own searches through publicly available information to assess if the facts of the cases have been appropriately disclosed in the financial statements.</li> </ul> <p>Should the Company be successful in their legal case we have performed the following procedures to determine if the carrying value of the Company's exploration assets are supportable:</p> <ul style="list-style-type: none"> <li>- We obtained management's discounted cash flow models and performed data integrity and mechanical checks on the models; and</li> <li>- We have challenged the key estimates in management's impairment model which is based on the feasibility study conducted in 2016.</li> </ul> <p>We draw your attention to Note 7 to the financial statements, which discloses that there is a significant judgement over both the current legal title of the asset and the future outcome of the legal case in relation to the Illova 6 licence, which if not ruled in the Company's favour, would result in the carrying value of the Company's Mining interests not being recoverable.</p>

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

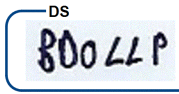
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Acloque.



**BDO LLP**

Chartered Professional Accountants, Licensed Public Accountants

**London, UK**

**24 March 2022**

## Euromax Resources Ltd.

### Consolidated statements of profit or loss and other comprehensive income or loss

(Expressed in Canadian dollars)

	Note	Years ended December 31,	
		2021	2020
		\$000s	\$000s
<b>Operating expenses</b>			
Accounting, legal and professional		(1,142)	(1,558)
Depreciation	8	(76)	(95)
Office and general		(234)	(304)
Salaries, director and consultant fees		(1,343)	(1,878)
Share-based payments recovery/(expense)	10 (d)	836	(2,281)
Social responsibility and other project related costs		(469)	(172)
(Loss)/gain on foreign exchange		(1,186)	1,397
<b>Operating loss</b>		<b>(3,614)</b>	<b>(4,891)</b>
<b>Finance income and expense</b>			
Finance income	6	-	21
Finance expense	6	(2,763)	(2,491)
Fair value gain/(loss) on financial liabilities	11 (b)	21	(21)
<b>Net finance loss</b>		<b>(2,742)</b>	<b>(2,491)</b>
<b>Other items</b>			
Other income		2	-
<b>Loss before tax</b>		<b>(6,354)</b>	<b>(7,382)</b>
<b>Income tax expense</b>			
Income tax expense	15 (a)	-	(43)
<b>Loss for the period</b>		<b>(6,354)</b>	<b>(7,425)</b>
<b>Other comprehensive (loss)/income, net of tax:</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Cumulative translation adjustment on foreign subsidiaries		(1,869)	1,727
<b>Total other comprehensive (loss)/income, net of tax</b>		<b>(1,869)</b>	<b>1,727</b>
<b>Total comprehensive loss for the year</b>		<b>(8,223)</b>	<b>(5,698)</b>
<b>Loss per common share</b>			
Basic and diluted	5	(0.02)	(0.02)
<b>Weighted average number of common shares outstanding</b>			
Basic and diluted	5	337,159,324	331,929,522

See accompanying notes to the consolidated financial statements.

# Euromax Resources Ltd.

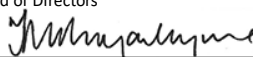
## Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	As at	
		December 31, 2021 \$000s	December 31, 2020 \$000s
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		338	2,785
Other receivables		62	14
Other current assets		62	35
<b>Total current assets</b>		<b>462</b>	<b>2,834</b>
<b>Non-current assets</b>			
Land and property, plant and equipment and intangible assets	8	202	297
Mineral right interests	7	37,499	40,374
<b>Total assets</b>		<b>38,163</b>	<b>43,505</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		433	414
Gold purchase advance payments	12	14,376	14,379
Share-based payment liabilities	10 (d)	1,633	2,490
Loans and borrowings	11	23,622	22,109
Lease liability		52	76
<b>Total current liabilities</b>		<b>40,116</b>	<b>39,468</b>
<b>Non-current liabilities</b>			
Lease liability		90	137
<b>Total liabilities</b>		<b>40,206</b>	<b>39,605</b>
<b>EQUITY</b>			
Share capital	9 (a)	78,796	78,544
Equity reserve		15,962	16,157
Convertible loan reserve	11 (b)	1,162	1,733
Currency translation reserve		3,402	5,271
Accumulated losses		(101,365)	(97,805)
<b>Total (deficit)/equity</b>		<b>(2,043)</b>	<b>3,900</b>
<b>Total liabilities and equity</b>		<b>38,163</b>	<b>43,505</b>
Nature of operations	1		
Subsequent events	18		

Approved on behalf of the Board of Directors

Signed "Tim Morgan-Wynne"



Tim Morgan-Wynne, Director

See accompanying notes to the consolidated financial statements.



## Euromax Resources Ltd.

### Consolidated statements of changes in equity

(Expressed in Canadian dollars)

For the years ended December 31, 2021 and 2020

	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
<i>Balance on January 1, 2020</i>		331,929,522	78,544	16,756	1,733	3,544	(91,083)	9,494
<i>Total comprehensive loss for the year</i>								
Loss for the year			-	-	-	-	(7,425)	(7,425)
Other comprehensive income for the year			-	-	-	1,727	-	1,727
<i>Total comprehensive loss for the year</i>			-	-	-	1,727	(7,425)	(5,698)
<i>Transactions with owners of the Company</i>								
Equity-settled share-based payments	10 (d)		-	104	-	-	-	104
Transfer of expired share options	9 (c)		-	(703)	-	-	703	-
<i>Total transactions with owners of the Company</i>			-	(599)	-	-	703	104
Balance on December 31, 2020		331,929,522	78,544	16,157	1,733	5,271	(97,805)	3,900
<i>Balance on January 1, 2021</i>		331,929,522	78,544	16,157	1,733	5,271	(97,805)	3,900
<i>Total comprehensive loss for the year</i>								
Loss for the year			-	-	-	-	(6,354)	(6,354)
Other comprehensive loss for the year			-	-	-	(1,869)	-	(1,869)
<i>Total comprehensive loss for the year</i>			-	-	-	(1,869)	(6,354)	(8,223)
<i>Transactions with owners of the Company</i>								
Common shares issued, net of issue costs	9 (a)	20,976,678	252	845	-	-	-	1,097
Equity-settled share-based payments	10 (d)		-	21	-	-	-	21
Transfer of expired share options	9 (c)		-	(1,061)	-	-	1,061	-
Derecognition of the equity component of convertible loan	11 (b)		-	-	(1,733)	-	1,733	-
Equity component of convertible loan	11 (b)		-	-	1,162	-	-	1,162
<i>Total transactions with owners of the Company</i>		20,976,678	252	(195)	(571)	-	2,794	2,280
Balance on December 31, 2021		352,906,200	78,796	15,962	1,162	3,402	(101,365)	(2,043)

See accompanying notes to the consolidated financial statements.

# Euromax Resources Ltd.

## Consolidated statements of cash flows

(Expressed in Canadian dollars)

	Note	Years ended December 31,	
		2021	2020
		\$000s	\$000s
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(6,354)	(7,382)
<i>Add back:</i>			
Depreciation	8	76	95
Finance income	6	-	(21)
Finance expense	6	2,763	2,491
Share-based payments (recovery)/expenses	10 (d)	(836)	2,281
Payment of cash-settled share-based payments	10 (a)	-	(45)
Unrealised foreign exchange loss/(gain)		1,216	(1,704)
Expensed transaction costs associated with convertible loans	11 (b)	63	-
Fair value (gain)/loss on financial liabilities	11 (b)	(21)	21
Net gain on disposal of property, plant and equipment	8	(2)	-
<i>Changes in working capital items:</i>			
(Increase)/decrease in other receivables and prepayments and deposits		(76)	170
Increase/(decrease) in trade and other payables		63	(251)
Income tax paid		(43)	-
<b>Cash used in operating activities</b>		<b>(3,151)</b>	<b>(4,345)</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		(2)	(2)
Proceeds from disposed property, plant and equipment		9	-
Interest received		-	21
<b>Cash provided by investing activities</b>		<b>7</b>	<b>19</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from shares issued	9 (a)	1,196	-
Share issue costs	9 (a)	(99)	-
Transaction costs associated with convertible loans	11 (b)	(126)	-
Payment of lease liabilities		(74)	(78)
Interest paid		(7)	(7)
<b>Cash provided by/(used in) financing activities</b>		<b>890</b>	<b>(85)</b>
Effect of exchange rate changes on cash		(193)	232
Net change in cash and cash equivalents		(2,254)	(4,411)
Cash and cash equivalents, beginning of the year		2,785	6,964
<b>Cash and cash equivalents, end of the year</b>		<b>338</b>	<b>2,785</b>

See accompanying notes to the consolidated financial statements.

# Euromax Resources Ltd.

## Notes to the consolidated financial statements

December 31, 2021 and 2020

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

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### 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 consolidated financial statements include the accounts of Euromax and its 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 share purchase warrants are not listed.

These consolidated financial statements were authorised for issue by the Company’s board of directors on March 24, 2022.

### 2. Basis of preparation

#### (a) Basis of accounting

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (the “IFRS”) issued by the International Accounting Standards Board (the “IASB”).

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

Details of the Group’s accounting policies are set out in Note 3.

#### (b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency, except where otherwise indicated.

#### (c) Adoption of new and revised standards and interpretations

The accounting policies applied are consistent with those adopted and disclosed in the Group’s consolidated financial statements for the year ended December 31, 2020 except for changes arising from the adoption of new accounting pronouncements as listed below.

New accounting pronouncement that do not have a material impact on the Group’s consolidated financial statements, and that are effective from January 1, 2021, are as follows:

- COVID-19 Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16 Leases) – effective from April 1, 2021

# Euromax Resources Ltd.

## Notes to the consolidated financial statements

December 31, 2021 and 2020

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

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### 2. Basis of preparation (continued)

#### (c) Adoption of new and revised standards and interpretations (continued)

The following other standards and interpretations, that are effective for periods beginning after January 1, 2022, are not expected to have a material impact on the Group's consolidated financial statements, however the Group will evaluate their impact on future consolidated financial statements:

- Annual Improvements to IFRS Standards 2018 – 2020 (Amendments to IFRS 9 *Financial Instruments* and IFRS 16 *Leases*) – effective from January 1, 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 *Property, Plant and Equipment*) – effective from January 1, 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*) – effective from January 1, 2022
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1 *Presentation of Financial Statements*) – effective from January 1, 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2*) – effective from January 1, 2023
- Definition of Accounting Estimates (Amendments to IAS 8 *Accounting policies, Changes in accounting estimates and Errors*) – effective from January 1, 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 *Income Taxes*) – effective from January 1, 2023

### 3. Summary of significant accounting policies

#### (a) Going concern

These consolidated 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 December 31, 2021, the Group had net liabilities of \$2 million (December 31, 2020: net assets of \$3.9 million) and a net working capital deficiency of \$39.6 million (December 31, 2020: \$36.6 million), including cash of \$0.3 million (December 31, 2020: \$2.8 million). The Group's \$39.6 million working capital deficiency at December 31, 2021 largely results from:

- Convertible loans of \$23.6 million (at December 31, 2020: \$22.1 million 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"), which are classified as current (see Note 11); and
- Gold purchase advance payments of \$14.4 million (December 31, 2020: \$14.4 million) received from Royal Gold, AG ("Royal Gold") (see Note 12) which are repayable within 60 days of receiving a termination notice to the Gold Purchase and Sale Agreement.

These two items are classified at December 31, 2021 as current liabilities as at this time contractual repayment may be required within the next twelve months. Subsequent to the year end, the convertible loans' maturity date was extended by one year to February 28, 2023. Both of the convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before their maturity (see Note 11 for more details). As at the date of these consolidated financial statements no termination or repayment notice has been received from Royal Gold.

During October 2021, the Group closed a non-brokered private placement (the "2021 Private Placement") for gross proceeds of \$1.196 million (see Note 9(a) for more details).

Subsequent to December 31, 2021, the Group announced that one of its major shareholders, that was part of the 2021 Private Placement, has agreed to issue an unsecured promissory note of US\$0.5 million to the Group.

# Euromax Resources Ltd.

## Notes to the consolidated financial statements

December 31, 2021 and 2020

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

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### 3. Summary of significant accounting policies (continued)

#### (a) Going concern (continued)

The Company's board of directors has reviewed the Group's forecasts for the period ended December 31, 2023, 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:

- the convertible loans which have potential contractual cash outflows at February 28, 2023 of \$25.8 million will either be converted into the Company's common shares or further extended to mature beyond the forecast period; and
- neither termination nor repayment notices will be received from Royal Gold for the period ended December 31, 2023.

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

- cover the committed costs for maintaining the Ilovica-Shtuka Project from May 2022 and going forward, including covering the local legal costs for the ongoing administrative process related to the termination of the exploitation concession for Ilovica 6 ("Termination of Ilovica 6");
- cover any costs associated with international arbitration (should management pursue this) in respect of the Termination of Ilovica 6;
- repay the gold purchase advance payments, if termination or repayment notice is received from Royal Gold;
- repay both convertible loans, if neither are further extended in 2023 or converted into the Company's common shares; and
- ultimately construct and bring the Ilovica-Shtuka Project into commercial production.

The directors note that the level of funding required is dependent on both the outcome and duration of the legal matter as disclosed in Note 7 in respect of the Termination of Ilovica 6.

Given the above factors, the Group will need to raise additional funds before May 2022 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 for resolving the administrative process related to the Termination of Ilovica 6 in the Country, and also impact on the ability of the Group to raise further funds as and when are 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.

#### (b) Basis of consolidation

##### (i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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### 3. Summary of significant accounting policies (continued)

#### (b) Basis of consolidation (continued)

##### (i) Business combinations (continued)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument, is qualified as equity, then it is not remeasured and settlement is required for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

##### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

##### (iii) Loss of control

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related Non-Controlling Interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### (iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

#### (c) Foreign currency

##### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's subsidiaries at exchange rates at the dates of the transactions. Functional currencies of the Group's subsidiaries are disclosed in Note 17.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the prevailing exchange rate on the reporting date. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

##### (ii) Foreign operations

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Canadian dollars using average exchange rates that reasonably approximate the exchange rate at the transaction date.

Foreign currency differences are recognised in other comprehensive income or loss ("OCI/L") and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of, in its entirety or partially, such that control significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative translation differences is allocated to NCI.

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### 3. Summary of significant accounting policies (continued)

#### (d) Employees benefits

##### (i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### (ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

#### (e) Financial income and financial costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- fair value loss on modification on financial liabilities; and
- net gain or loss on financial liabilities designated at fair value through profit or loss ("FVTPL").

Interest income or expense is recognised using the effective interest method.

#### (f) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease.

The Group recognised a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs for dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers the ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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### 3. Summary of significant accounting policies (continued)

#### (f) Leases (continued)

Lease payments included the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised costs using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', within the same line item as it presents underlying assets of the same nature that it owns, while lease liabilities are presented as a separate line item in the statement of financial position.

#### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognised the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### (g) Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI/L.

##### (i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

##### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseen future; and
- taxable temporary differences arising on the initial recognition of goodwill.



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### 3. Summary of significant accounting policies (continued)

#### (g) Income taxes (continued)

##### (ii) Deferred tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted reversals of existing temporary differences, are considered, based on the business plan for individual subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reduction are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### (h) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, including capitalised borrowing costs, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

##### (iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of all items of property, plant and equipment are from two to ten years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if applicable.

##### (iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss.

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### 3. Summary of significant accounting policies (continued)

#### (i) Intangible assets

##### (i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

##### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

##### (iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful life of the Group's intangible assets is up to two years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### (j) Mineral right interests

The Group capitalises into mineral right interests all costs, net of any recoveries, of acquiring, exploring and evaluating a mineral right interest, until the determination of the technical and commercial viability of extracting the mineral resource.

Such costs capitalised may include the cash consideration and/or fair value of shares issued on the acquisition of mineral right interests, exploration drilling and assaying, technical reports, and directly attributable employee costs of performing exploration and evaluation activities on mineral right interests.

These capitalised costs are considered to be an intangible asset in nature and once the technical feasibility and commercial viability of extracting the mineral resource being demonstrable, related capitalised costs is reclassified into tangible asset and depreciated on a units of production basis upon commissioning a mining operation, or written-off if the rights are disposed of, impaired or abandoned.

No amortisation is charged during the exploration and evaluation phase.

#### (k) Financial instruments

##### (i) Recognition and initial measurement

Other receivables are initially recognised when they are originated, while all other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without significant financial component) or financial liability is initially measured at fair value, for an item not at FVTPL, plus transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at: amortised cost, fair value through other comprehensive income or loss ("FVOCI/L") or FVTPL.

Financial assets are not reclassified subsequently to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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### 3. Summary of significant accounting policies (continued)

#### (k) Financial instruments (continued)

##### (ii) Classification and subsequent measurement (continued)

###### Financial assets

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

###### Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because the best reflects the way the business is managed and information is provided to management.

###### Financial assets – Assessment whether contractual cash flows are solely payments of principle and interest

For the purpose of this assessment, 'principle' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principle amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principle and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principle and interest criterion if the prepayment amount subsequently represents unpaid amounts of principle and interest on the principle amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for financial assets acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consideration with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

###### Subsequent measurement, gains and losses

All Group's financial assets are classified as measured at amortised cost.

Financial assets measured at amortised costs – these assets are subsequently measured at amortised costs using the effective interest method. The amortisation cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### Financial liabilities – Classification, subsequent measurement, gains and losses

Financial liabilities are classified and measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

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### 3. Summary of significant accounting policies (continued)

#### (k) Financial instruments (continued)

##### (iii) Derecognition

###### Financial assets

The Group derecognised a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers or retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

###### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and it intends either to settle from them on a net basis or to realise the asset and settle the liability simultaneously.

##### (v) Derivative financial instruments

Derivatives are initially measured at fair value, and changes therein are recognised in profit or loss. All directly attributable transaction costs are recognised in profit or loss as incurred.

#### (l) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

#### (m) Share capital

Incremental costs directly attributable to the issue of common shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *Income Taxes*.

#### (n) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in Canadian dollars that can be converted to common shares at the option of the holder, whereby the number of common shares to be issued is fixed, regardless of changes in their fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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### 3. Summary of significant accounting policies (continued)

#### (n) Compound financial instruments (continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion the financial liability is reclassified to equity and no gain or loss is recognised.

#### (o) Share-based payment arrangements

The Group maintains a restricted share unit ("RSUs") plan and a stock option plan for its employees and consultants, which are both equity-settled share-based payments. The Group also issues deferred phantom units ("DPU") to its directors and key executives which are cash-settled share-based payments.

Equity-settled share-based payments are recognised as an expense, together with a corresponding increase in equity, over their relevant vesting period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied. For those share-based payment arrangements that have non-market performance conditions, the amount recognised as an expense is reflected to the number of equity instruments for which the related services and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of equity instruments that meet the related services and non-market performance conditions at the vesting date.

Equity-settled share-based payments are measured by reference to the fair value at the grant date. Fair value of the stock options is determined by using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected life of the options. The Group believes this model adequately captures the substantive features of the stock options granted and is appropriate to calculate their fair value.

Where the Group grants equity instruments for services received from a third party, these services are measured, together with a corresponding increase in equity, at the fair value of the services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments granted at the grant date represents the fair value of these services.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

Cash-settled share-based payments are initially measured at fair value and recognised as a liability at the grant date. The liability is re-measured to fair value at each reporting date at the Group's closing share price with any changes in the fair value recognised in profit or loss. To the extent that performance conditions exist management estimates the number of DPUs that will eventually vest at each reporting date and recognises the liability over the vesting period.

#### (p) Impairment

##### (i) Non-derivative financial assets

###### Financial instruments

The Group measures loss allowance at an amount equal to lifetime expected credit losses ("ECLs").

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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### 3. Summary of significant accounting policies (continued)

#### (p) Impairment (continued)

##### (i) Non-derivative financial assets (continued)

###### *Financial instruments (continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

###### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial assets.

###### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

###### **Presentation of allowance for ECLs in statement of financial position**

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. The effect of loss allowance is recognised in profit or loss.

###### *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

##### (ii) Non-financial assets (other than mineral right interests)

At each reporting date, the Group reviews the carrying amounts of its land, property, plant and equipment, and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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### 3. Summary of significant accounting policies (continued)

#### (p) Impairment (continued)

##### (ii) Non-financial assets (other than mineral right interests) (continued)

An impairment loss is recognised if the carrying amount of the asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

If the carrying amount of the asset or CGU subsequently increased, the recognised impairment loss might be reversed but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (iii) Mineral right interests

The Group reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and recognises an impairment charge based upon current exploration results, plans for further activity and, where projects are sufficiently progressed, an assessment of the probability of profitable exploitation or sale of the rights. An indication of impairment on a specific licence/permit may include but is not limited to: the expiration of the Group's right to explore; substantive expenditure is neither budgeted nor planned; or the Group has decided to discontinue exploration activity.

Upon the technical feasibility and commercial viability of extracting the mineral resource being demonstrable, related capitalised costs of that mineral resource are tested for impairment, before their reclassification.

#### (q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of economic benefits will be required to settle that obligation, provided that its amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle that obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to that obligation. The unwinding of the discount is recognised as a finance cost.

##### (i) Provisions for site restoration

Obligations to retire a non-financial asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs that gives rise to such an obligation. The Group is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Group may be found to be responsible for damage caused by prior owners and operators of its mineral right interests and in relation to interests previously held by the Group. The Group believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalised cost of the related non-financial asset. The liability is increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Group is not presently aware of any such obligations.

#### (r) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures required measurement of fair values, which are further explained in Note 4.

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### 3. Summary of significant accounting policies (continued)

#### (r) Fair value measurement (continued)

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for that asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

If the input used to measure the fair value of an asset or a liability fall into different levels of fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 4.

### 4. Use of significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, the Group has identified the following areas where significant judgements and estimates are required, and where if actual results were to differ, this could materially affect the financial position or financial results reported in a future period. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.



# Euromax Resources Ltd.

## Notes to the consolidated financial statements

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

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### 4. Use of significant accounting judgements and estimates (continued)

#### (a) Estimates

##### (i) *Equity-settled share-based payment arrangements and Share purchase warrants*

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 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.

##### (ii) *Recognition and measurement of convertible loans*

The EBRD convertible loan is accounted for as a financial liability at FVTPL and its fair value is calculated via an internally prepared model that separately values the loan amount (on a discounted cash flow basis, by using the interest rate of the CCI convertible loan, see Note 11, as only available relevant observable input) 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.

Based on the management estimate, the effect of fair value movement of the EBRD convertible loan resulting from changes in the credit risks of the EBRD convertible loan do not have material effect on the Group's consolidated financial statements, and therefore the whole effect from movement of the fair value of the EBRD convertible loan is presented in profit or loss. Sensitivity analysis regarding the yield applied to the convertible loan have been included in Note 11(b).

Separately the CCI convertible loan is a compound financial instrument. As such on initial recognition, the loan must be split into a liability component and an equity component. The recognised liability component had been determined by fair valuing the convertible loan using a relevant market interest rate that would apply to a similar loan that did not contain an equity conversion right. The equity component was calculated as the residual amount of the face value of the convertible loan and the calculated liability component.

##### (iii) *Leases*

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% which represents an interest rate applied to both convertible loans (see Note 11(a)).

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

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### 4. Use of significant accounting judgements and estimates (continued)

#### (b) Judgements:

##### (i) Recoverability of mineral right interests

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 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 local legal disputes regarding the Termination of Ilovica 6, which would secure the legal title over Ilovica 6, and therefore would provide opportunity for further progressing the Ilovica-Shtuka Project, the Group believes that as at December 31, 2021 there is no need for impairment of the carrying amount of the mineral right interest for the Ilovica-Shtuka Project.

##### (ii) Functional currency

The determination of functional currency often requires significant judgement where the primary economic environment in which a Company operates may not be clear. The parent entity reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determines the primary economic environment.

### 5. Loss per share

	Years ended December 31,	
	2021	2020
	\$000s	\$000s
Net loss for the period after tax	(6,354)	(7,425)
Basic and diluted weighted average number of common shares	337,159,324	331,929,522
<b>Basic and Diluted loss per share</b>	<b>(0.02)</b>	<b>(0.02)</b>

The calculation of basic and diluted weighted average number of common shares is set out below:

		2021	2020
	Note		
Issued common shares at January 1		331,929,522	331,929,522
Effect of common shares issued (weighted average number)	9 (a)	5,229,802	-
<b>Basic weighted average number of common shares at December 31</b>		<b>337,159,324</b>	<b>331,929,522</b>

For the years ended December 31, 2021 and 2020, because there would be further reduction in loss per share resulting from the assumption that share options (see Note 10), warrants (see Note 9(b)) and convertible loans (see Note 11) 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 years ended December 31, 2021 and 2020.

### 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	Geographic location
Macedonia	Exploration and development of mineral right interests	Republic of North Macedonia
Corporate	Corporate operations	Canada and UK

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### 6. Operating segments (continued)

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

For the years ended In thousands \$	Macedonia		Corporate		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Finance income	-	-	-	21	-	21
Finance expense	(2)	(2)	(2,761)	(2,489)	(2,763)	(2,491)
Depreciation	(76)	(95)	-	-	(76)	(95)
Segment profit/(loss) before tax	(2,569)	164	(3,785)	(7,546)	(6,354)	(7,382)

As at In thousands \$	Macedonia		Corporate		Total	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Segment assets	37,794	40,734	369	2,771	38,163	43,505
Segment liabilities	271	386	39,935	39,219	40,206	39,605

### 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. On July 24, 2012 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 Ministry of Economy (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 outstanding 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 July 12, 2019 Euromax announced that the Minister of Economy had unilaterally taken the decision to reject the application for an exploitation permit for the Ilovica 6 concession (the "Rejection Decision") and this was upheld by the Government's Second Instance Commission who are responsible for ratifying certain government institution decisions. This was appealed by the Group, and on October 14, 2019 a lawsuit was submitted to the Administrative Court in Macedonia. The Administrative Court on March 31, 2020 gave a judgment fully accepting this first lawsuit submitted by the Group. On November 21, 2020, following the rejection of all appeals, the Higher Administrative Court upheld and made final the initial judgment that is in the Group's favour. However, on January 27, 2021, the Second Instance Commission ignored the judgement of the Court and without presenting new legal arguments repeated the ratification of the Minister of Economy's decision. The Group filed a third lawsuit on February 23, 2021 against this repeated decision.

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### 7. Mineral right interests (continued)

#### Macedonia (continued)

On December 16, 2019 based on the MoE's Rejection Decision, the process for termination of Ilovica 6 was completed by the Government of the Republic of North Macedonia. On January 8, 2020 Euromax Resources filed a second lawsuit to the Administrative Court challenging this termination. The Administrative Court on October 21, 2020 rejected the second lawsuit, but on July 8, 2021 the Higher Administrative Court accepted the Group's appeal and annulled that decision of the Administrative Court, and then returned the case for ruling by the Administrative Court. However, on October 5, 2021 the Administrative Court rejected again the second lawsuit, and during November 2021 the case was appealed to the Higher Administrative Court for a second time.

As at the date of these consolidated 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 a legal process in the administrative courts in the Country. There are further steps for recovering the investment and potential damages from the Ilovica-Shtuka Project if the administrative courts in the Country confirm the Termination of Ilovica 6 as final, such as 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. This is subject to raising additional funds by the Group either through equity (supported by existing shareholders or new shareholders) or by further debt as outlined in Note 3.

Based on independent legal advice that demonstrate that the Group is legally compliant with respect to the dispute, at December 31, 2021 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. Otherwise, the negative outcome of the administrative process related to Termination of Ilovica 6 would lead to losing the legal rights over Ilovica 6.

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 over when it will end.

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, and as explained above, the Group believes that at December 31, 2021 there is no need for impairment of the carrying amount of the mineral right interest for the Ilovica-Shtuka Project as presented below. However, the Group also acknowledges that there is legal uncertainty and ambiguity as a result of the ongoing court cases which could result in the legal rights over Ilovica 6 being lost.

A summary of changes to the Group's mineral right interests in the years ended December 31, 2021 and 2020 is set out below.

	<b>Macedonia</b>
	<i>Ilovica-Shtuka Project</i>
	\$000s
<b>Balance, January 1, 2020</b>	37,793
<b>Other items:</b>	
Foreign exchange movements	2,581
<b>Balance, December 31, 2020</b>	40,374
<b>Balance, January 1, 2021</b>	40,374
<b>Other items:</b>	
Foreign exchange movements	(2,875)
<b>Balance, December 31, 2021</b>	37,499

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### 8. Land and property, plant and equipment and intangible assets

The Group's land and property, plant and equipment and intangible assets at December 31, 2021 and 2020 are as follows:

	Land	Buildings	Vehicles	Equipment	Leasehold improvements	Total
	\$000s			\$000s	\$000s	\$000s
<b>Cost</b>						
Balance at January 1, 2020	67	320	188	460	104	1,139
Acquisitions	-	-	-	2	-	2
Disposals	-	-	-	(7)	-	(7)
Revaluation of right-of-use asset	-	66	-	-	-	66
Foreign exchange movements	4	12	12	27	7	62
<b>Balance at December 31, 2020</b>	<b>71</b>	<b>398</b>	<b>200</b>	<b>482</b>	<b>111</b>	<b>1,262</b>
Acquisitions	-	-	-	2	-	2
Disposals	-	-	(19)	(27)	(86)	(132)
Revaluation of right-of-use asset	-	6	-	-	-	6
Foreign exchange movements	(5)	(30)	(15)	(32)	(8)	(90)
<b>Balance at December 31, 2021</b>	<b>66</b>	<b>374</b>	<b>166</b>	<b>425</b>	<b>17</b>	<b>1,048</b>
<b>Accumulated depreciation</b>						
Balance at January 1, 2020	-	129	163	436	103	831
Depreciation	-	66	15	13	1	95
Disposals	-	-	-	(7)	-	(7)
Foreign exchange movements	-	2	10	27	7	46
<b>Balance at December 31, 2020</b>	<b>-</b>	<b>197</b>	<b>188</b>	<b>469</b>	<b>111</b>	<b>965</b>
Depreciation	-	64	4	8	-	76
Disposals	-	-	(12)	(27)	(86)	(125)
Foreign exchange movements	-	(16)	(15)	(31)	(8)	(70)
<b>Balance at December 31, 2021</b>	<b>-</b>	<b>245</b>	<b>165</b>	<b>419</b>	<b>17</b>	<b>846</b>
<b>Carrying amount</b>						
At December 31, 2020	71	201	12	13	-	297
<b>At December 31, 2021</b>	<b>66</b>	<b>129</b>	<b>1</b>	<b>6</b>	<b>-</b>	<b>202</b>

At December 31, 2021 management assumed that all leases, for which right-of-use asset and lease liabilities have been recognised in accordance with IFRS 16, would be used until the period ended December 31, 2024. This assumption has resulted in a modification on leases which led to an increase of the right-of-use assets and lease liability by \$0.006 million for the year ended December 31, 2021 (at December 31, 2020: \$0.066 million).

All items disposed in 2021 and 2020 were in the Macedonian operating segment, whereby net gain of \$0.002 million on disposal was recognised in the year ended December 31, 2021 (2020: Nil).

During 2019 the Group signed pre-agreements for purchase of the land located on Ilovica 11 with private land owners, on which basis advance payments of \$0.066 million (December 31, 2020: \$0.071 million) were paid by the Group, and outstanding amount of \$0.267 million (December 31, 2020: \$0.289 million) would be paid at the sign off of these agreements.

### 9. Share capital and reserves

#### (a) Share capital

At December 31, 2021, Euromax's share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2021		2020	
	Number of shares	Amount \$000s	Number of shares	Amount \$000s
<b>Balance on January 1</b>	<b>331,929,522</b>	<b>78,544</b>	331,929,522	78,544
Common shares issued, net of issue costs	20,976,678	252	-	-
<b>Balance on December 31</b>	<b>352,906,200</b>	<b>78,796</b>	331,929,522	78,544

On September 22, 2021, the Group announced that the 2021 Private Placement was agreed with its existing shareholders to issue 20,976,678 common shares at a price of \$0.057 for gross proceed of \$1.196 million or US\$0.948 million, which was closed in October 2021.

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### 9. Share capital and reserves (continued)

#### (a) Share capital (continued)

In 2021, the Company paid share issue costs of \$0.099 million for filing and legal fees for closing the 2021 Private Placement, of which on a proportionate basis were allocated \$0.023 million to share capital and \$0.076 million to share purchase warrants via the equity reserve.

During the year ended December 31, 2021 and 2020 no share options and share purchase warrants were exercised.

Subsequent to December 31, 2021, fully vested 515,000 RSUs, granted to key management personnel, were converted into common shares (see Note 10(a)(ii) and Note 18).

#### (b) Share Purchase Warrants

As part of the 2021 Private Placement the Company issued 20,976,678 share purchase warrants exercisable each at a price of \$0.0761 at any time before October 1, 2024.

The aggregate fair market value of the share purchase warrants and the shares issued in the 2021 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 2021 Private Placement was estimated at \$0.0439 per share purchase warrant, or in total of \$0.921 million for all issued 20,976,678 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:

Year ended	December 31, 2021
Risk free interest rate	0.65%
Expected life	3 years
Expected volatility	94.00%
Expected dividend per share	\$Nil

As disclosed in the summary below, 164,649,677 share purchase warrants expired during the year ended December 31, 2021 (2020: 64,141,834 share purchase warrants expired).

A summary of the outstanding warrants in 2021 and 2020 is as follows:

	2021		2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	Number	\$	Number	\$
Balance, beginning of year	164,649,677	0.15	228,791,511	0.31
Warrants granted	20,976,678	0.08	-	-
Warrants expired	(164,649,677)	0.15	(64,141,834)	0.27
Balance, end of year	20,976,678	0.08	164,649,677	0.15

#### (c) Nature and purpose of reserves

##### (i) Equity Reserve

The equity reserve comprises the accumulated fair value of share options and restricted share units recognised as share-based payments (see Note 10), as well as share purchase warrants (see Note 9(b)). Transfers from the equity reserve to share capital are made whenever common share options or share purchase warrants are exercised and when RSUs fully vest and convert to common shares. While in case if share options are expired or vested RSUs are cancelled transfers from equity reserve to accumulated losses are made.

During the year ended December 31, 2021, 3,218,067 share options expired, and accordingly their value of \$1.061 million was transferred from equity reserve to accumulated losses (see Note 10(a)(i)).

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### 9. Share capital and reserves (continued)

#### (c) Nature and purpose of reserves (continued)

##### (i) Equity Reserve (continued)

In the year ended December 31, 2020, 1,760,065 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 the equity reserve to the accumulated losses (see Note 10(a)(ii)). Further to that, 1,850,000 share options expired in the year ended December 31, 2020 (see Note 10(a)(i)), and their value of \$0.260 million was transferred from equity reserve to accumulated losses.

##### (ii) Convertible Loan Reserve

The convertible loan reserve comprises the equity component of the CCI convertible loan (see Note 11(b)).

##### (iii) Currency Translation Reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 10. Share-based payment arrangements

#### (a) Description of share-based payment arrangements

At December 31, 2021, the Group had the following share-based payment arrangements:

##### (i) Stock Option Plan (Equity settled)

Euromax has a Stock Option Plan (the "Option Plan") under which directors, executive officers, employees and consultants of the Group are eligible to receive share options. The purpose of the Option Plan is to incentivise directors, executive officers, employees and consultants to provide beneficial services to the Group and to align their objectives with shareholders in maximising shareholder value.

The maximum number of common shares reserved for issuance upon exercise of all share options granted under the Option Plan is equal to 15% of the issued and outstanding common shares at the time of grant. The Company's Compensation Committee determines the terms and vesting conditions of the options at the time of grant.

The exercise price of each option equals the closing share price of Euromax's common shares on the day preceding the date of grant. If a director, executive officer, employee or consultant ceases employment or engagement with the Group, any unvested share options are forfeited and the expiry date on their vested options is reduced to 90 days from the date they cease employment or engagement.

No share options were granted in 2021, while during the year ended December 31, 2020, 6,421,670 share options were issued to directors and executive directors with an exercise price of \$0.03, a contractual life of 5 years and under the following non-market performance vesting conditions:

- 4.75 million share options will vest under the following non-market performance conditions:

Non-market performance conditions	No. share options granted
Approval of the merger of both concessions (Ilovica 6 and Ilovica 11)	475,000
Final approval of the local Environmental Impact Assessment Study for the merged concession (Ilovica 6 and Ilovica 11)	475,000
Granting of the Exploitation Permit	3,050,000
Granting of the Construction Permit	375,000
Granting of integrated local ecological permit ("IPPC")	375,000
<b>Total share options granted</b>	<b>4,750,000</b>

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### 10. Share-based payment arrangements (continued)

#### (a) Description of share-based payment arrangements (continued)

##### (i) Stock Option Plan (Equity settled) (continued)

- 1,671,670 share options were granted to one director, of which 868,067 expired during the year ended December 2021 since these were linked with share purchase warrants that expired in 2021 (see Note 9(b)). The remaining 803,603 share options should be vested under the following non-market performance conditions:

Non-market performance conditions	No. share options granted
<b>(i) Conversion of the EBRD convertible loan</b>	
Approval of the merger of both concessions (Ilovica 6 and Ilovica 11)	44,611
Final approval of the local Environmental Impact Assessment Study for the merged concession (Ilovica 6 and Ilovica 11)	44,611
Granting of the Exploitation Permit	356,895
<b>(ii) Conversion of the CCI convertible loan</b>	
Approval of the merger of both concessions (Ilovica 6 and Ilovica 11)	35,748
Final approval of the local Environmental Impact Assessment Study for the merged concession (Ilovica 6 and Ilovica 11)	35,748
Granting of the Exploitation Permit	285,990
<b>Total share options granted</b>	<b>803,603</b>

The vesting of these 803,603 is also conditioned by market performance conditions.

In addition to the 868,067 expired share options described above, a further 2,350,000 share options with weighted average exercise price of \$0.33 per common share expired during the year ended December 2021, resulting in a total of 3,218,067 share options expired for the year ended December 2021. In comparison, during the year ended December 31, 2020, 1,850,000 share options expired with weighted average exercise price of \$0.35 per common share.

The key terms and conditions related to the grants under the Option Plan are as follows:

Grant date	Number of options as at December 31, 2021	Vesting conditions	Contractual life of options
<i>Options granted to Directors and Officers</i>			
On May 22, 2019	2,175,000	Fully vested	5 years
On May 22, 2019	125,000	1/3 on May 22, 2020, 2021 and 2022	5 years
On November 10, 2020	4,750,000	explained above	5 years
On November 10, 2020	803,603	explained above	5 years
<i>Options granted to Consultants and Former Directors and Officers</i>			
On October 23, 2017	350,000	Fully vested	5 years
On May 22, 2019	525,000	Fully vested	5 years
<b>Total share options</b>	<b>8,728,603</b>		

##### (ii) Restricted Share Unit Plan (Equity settled)

On March 11, 2013 Euromax established a Restricted Share Unit Plan (the "RSU Plan") under which directors, executive officers, employees or consultants of the Group are eligible to receive RSUs. The purpose of the RSU Plan is to incentivise directors, executive officers, employees and consultants to provide beneficial services to the Group and to align their objectives with shareholders in maximising shareholder value.

The maximum number of RSUs reserved for issuance under the RSU Plan is equal to 8,534,734 common shares at the time of grant, provided that the combined number of share options and RSUs in issue does not exceed 15% of the outstanding common shares at the time of grant. The Company's Compensation Committee determines the terms and provisions of the RSUs at the time of grant.



# Euromax Resources Ltd.

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### 10. Share-based payment arrangements (continued)

#### (a) Description of share-based payment arrangements (continued)

##### (ii) Restricted Share Unit Plan (Equity settled) (continued)

The Compensation Committee has determined the Market Vectors Junior Gold Mines ETF (the "GDJ") to be a relevant benchmark to assess the Company's share price performance. To the extent that the Company's share price underperforms the GDJ the number of RSUs vesting shall reduce on a pro-rata basis. To the extent that the Company's share price outperforms the GDJ additional RSUs shall be awarded on a proportionate basis.

If a director, executive officer or employee ceases employment with the Group any unvested RSUs are forfeited on the date they cease employment.

During the year ended December 31, 2021, 273,504 RSUs were granted to a senior officer of the Group.

While in the year ended December 31, 2020, 1,760,065 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.

All granted RSUs were approved by the Group's Compensation Committee.

The key terms and conditions related to the grants under the RSU Plan are presented below. All RSUs are to be settled by the issue of common shares.

Grant date	Number of RSUs as at December 31, 2021	Vesting conditions
<i>RSUs granted to Executive Directors and Officers</i>		
On March 11, 2013 - Bonus 2012	21,134	Fully vested
On March 11, 2013 - LTIP 2013 grant	171,421	Fully vested
On January 9, 2014 - GDJ outperformance in 2013	6,285	Fully vested
On May 1, 2014 - LTIP 2014 grant	130,000	Fully vested
On January 5, 2016 - GDJ outperformance in 2015	86,810	Fully vested
On November 24, 2017 - converted from DPUs	1,287,001	Fully vested
On May 16, 2018 - as part of compensation to key management personnel	515,000	Fully vested, converted into common shares subsequent to December 31, 2021
On May 1, 2014 - RSUs grant to senior officer	273,504	50% vested at grant date; 5% vested once the merger of both concessions (Ilovica 6 and Ilovica 11) is approved; 5% vested on approval of the local Environmental Impact Assessment Study for the merged concession (Ilovica 6 and Ilovica 11); 30% vested on granting of the Exploitation Permit; 5% vested on getting of the Construction Permit; and 5% vested on granting of IPPC
<b>Total RSUs</b>	<b>2,491,155</b>	

Notwithstanding the vesting conditions stated above, the Company's board of directors has agreed with the executive officers and key management personnel who had RSUs due to vest until December 31, 2021 to postpone the vesting of their RSUs to at least December 31, 2022. In return the Company agreed that in the event of the termination of the executive officer's employment for any reason or death, prior to the postponed vesting date, the RSUs would vest in full, notwithstanding provisions to the contrary in the RSU Plan.

Furthermore, 515,000 fully vested RSUs granted to key management personnel were converted into common shares subsequent to December 31, 2021.

##### (iii) Deferred Phantom Units Plan (Cash settled)

On March 11, 2013 Euromax introduced a Deferred Phantom Unit Plan (the "DPU Plan") for its directors and key management personnel. Under the terms of the DPU Plan the Company's directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since April 2013, directors have made semi-annual elections (on March and September) to receive DPUs in lieu of cash for their fees.

The Compensation Committee has determined the GDJ to be a relevant benchmark to assess the Company's share price performance. To the extent that the Company's share price outperforms the GDJ additional DPUs will be granted to executive directors and officers. However, no additional DPUs were granted for the years ended December 31, 2021 and 2020 under this set benchmark, as presented in the table below.

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### 10. Share-based payment arrangements (continued)

#### (a) Description of share-based payment arrangements (continued)

##### (iii) Deferred Phantom Units Plan (Cash settled) (continued)

All DPUs issued only become payable in the event that a director or executive officer ceases to hold any position within the Group and are settled in cash. However, if director or executive officer agrees, and subject to Group's Compensation Committee approval, settlement could be made by issuing RSUs instead of cash payment.

During the year ended December 31, 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 key terms and conditions related to the grants under the DPU Plan are as follows:

Grant date	Number of DPUs	
	as at December 31, 2021	Vesting conditions
<i>DPUs granted to Directors</i>		
From March 11, 2013 to December 31, 2020	20,752,108	Fully vested
During 2021	4,371,668	Fully vested
<b>Total DPUs</b>	<b>25,123,776</b>	

#### (b) Measurement of fair values

##### (i) Stock Option Plan

The fair value of the share options awarded to directors, executive officers, and employees has been measured using the Black-Scholes option pricing model. The value of the share options awarded to consultants has been measured as the fair value of the services rendered. Service and non-market performance conditions attached to the share options were not taken into account in measuring fair value.

The inputs used in measuring the grant date fair value of the share options issued in the year ended December 31, 2020 are presented below:

	Year ended December 31, 2020
<i>All amounts are weighted averages</i>	
Share price at grant date	\$0.03
Exercise price	\$0.03
Expected volatility	60.00%
Expected life	5 years
Expected dividend per share	\$Nil
Risk-free interest rate (based on Canadian government bonds)	0.48%

No grants of share options in the year ended December 31, 2021.

Expected volatility was based on management's evaluation of the volatility of the Company's share price. The expected term was determined based on management's expectation that share options will be exercised close to their expiry.

During the year ended December 31, 2020, 6,421,670 share options were granted to directors and executive officers, and total value of these share options assessed by using Black-Scholes option pricing model was set at \$0.097 million. These share options have non-market performance conditions (see Note 10(a)(i)), and based on the Group's assessment, by applying the best available estimation of how much of these equity instruments are expected to be vested, the related portion of this fair value of \$0.097 million was recognised as expense for the period. At December 31, 2020, based on the management estimation it was assessed that 522,500 share options vested out of these 6,421,670 share options. Therefore, related expense of \$0.008 million was recognised for the year ended December 31, 2020. While for the year ended December 31, 2021, due to the lack of development in the permitting process for the Ilovica-Shtuka Project that represent non-market performance conditions for vesting of these share options (see Note 10(a)(i)), the assumption applied for the year ended December 31, 2020 has not been changed, i.e. assessed that 522,500 share options vested at December 31, 2021, and therefore no additional expense was recognised for the year ended December 31, 2021. Further to that, during the year ended December 31, 2021, 868,067 share options expired (see Note 10(a)(i)), however no expense had been recognised for these share options and therefore no additional adjustment was required for these expired share options.

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## Notes to the consolidated financial statements

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

### 10. Share-based payment arrangements (continued)

#### (b) Measurement of fair values (continued)

##### (ii) Restricted Share Unit Plan

The fair value of RSUs granted during the period has been measured using the Company's closing share price on the day immediately prior to grant date. For those RSUs with a vesting condition relating to the Company's share price performance compared to the GDXJ, this is a market performance vesting condition so at grant date it is estimated that the Company's share price performance should be consistent with the GDXJ's price performance.

In respect of those RSUs granted during the year ended December 31, 2021, no GDXJ market performance vesting conditions were attached. No grants of RSUs in the year ended December 31, 2020.

##### (iii) Deferred Phantom Units Plan

All DPUs granted to directors vest immediately. However for those DPUs granted to executive officers that contain a vesting condition relating to the Company's share price performance compared to the GDXJ, this is a market performance vesting condition so at grant date it is estimated that the Company's share price performance should be consistent with the GDXJ's price performance.

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

#### (c) Reconciliation of outstanding share options and RSUs

##### (i) Stock Option Plan

The number and weighted-average exercise prices of the share options under the Option Plan as at December 31, 2021 and 2020 were as follows:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	11,946,670	\$0.11	7,375,000	\$0.24
Granted during the year	-	-	6,421,670	\$0.03
Expired during the year	(3,218,067)	\$0.25	(1,850,000)	\$0.35
Outstanding at December 31	8,728,603	\$0.06	11,946,670	\$0.11
Exercisable at December 31	3,175,000	\$0.11	5,400,000	\$0.21

The options outstanding at December 31, 2021 have an exercise price in the range of \$0.03 to \$0.35 (2020: \$0.03 to \$0.43) and a weighted-average contractual life of 3.26 years (2020: 3.54 years).

No share options were exercised in 2021 and 2020.

##### (ii) Restricted Share Unit Plan

The number and weighted-average grant prices of the RSUs as at December 31, 2021 and 2020 were as follows:

	2021		2020	
	Number of RSUs	Weighted average grant price	Number of RSUs	Weighted average grant price
Outstanding at January 1	2,217,651	\$0.25	3,977,717	\$0.26
Granted during the year	273,504	\$0.14	-	-
Cancelled during the year	-	-	(1,760,066)	\$0.27
Outstanding at December 31	2,491,155	\$0.24	2,217,651	\$0.25
Exercisable at December 31	2,217,651	\$0.25	2,217,651	\$0.25

Subsequent to December 31, 2021, fully vested 515,000 RSUs were converted into common shares.

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### 10. Share-based payment arrangements (continued)

#### (d) Expense recognised in profit or loss

The total equity-settled share-based payment expense for the year ended December 31, 2021 was \$0.021 million (2020: \$0.104 million).

The total cash-settled share-based payment recovery in the year ended December 31, 2021 was \$0.857 million (2020: expense of \$2.177 million) and as at December 31, 2021, the share-based payment liability was \$1.633 million (2020: \$2.49 million). Cash-settled share-based payments are revaluated at the Company's share price at year-end, and a 10% increase/decrease in Company's share price would result in an increase/decrease of approximately \$0.163 million in the Group's loss for the year (2020: \$0.249 million).

### 11. Loans and borrowings

	December 31, 2021	December 31, 2020
	\$000s	\$000s
EBRD convertible loan	13,087	12,254
CCI convertible loan	10,535	9,855
	23,622	22,109

#### (a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity*	December 31, 2021		December 31, 2020	
				Face value	Carrying amount	Face value	Carrying amount
				\$000s	\$000s	\$000s	\$000s
EBRD convertible loan	US\$	7.00%	2022	6,391	13,087	6,392	12,254
CCI convertible loan	\$	7.00%	2022	5,200	10,535	5,200	9,855
				11,591	23,622	11,592	22,109

\* subsequent to year ended December 31, 2021 both convertible loans are extended to February 2023

#### **EBRD convertible loan**

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US\$5 million (\$6.391 million) (the "Principal Amount"), amended on April 12, 2018 (the "2018 Amendments of the EBRD convertible loan"), amended in March 2019 (the "2019 Amendments of the EBRD convertible loan") and amended in February 2021 (the "2021 Amendments of the EBRD convertible loan").

The EBRD convertible loan matures on February 28, 2022, extended from February 28, 2021 as per the 2021 Amendments of the EBRD convertible loan. Subsequent to the year ended EBRD convertible loan was extended further until February 28, 2023 (see Note 18).

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

- the Principal Amount,
- an amount of US\$1.420 million (\$1.815 million) (the "Redemption Amount"),
- a finance delay fee of US\$0.150 million (\$0.192 million) (the "Fee"),
- 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
- 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, at 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.

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### 11. Loans and borrowings (continued)

#### (a) Terms and conditions (continued)

##### 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"), amended in March 2019 (the "2019 Amendments of the CCI convertible loan") and amended in February 2021 (the "2021 Amendments of the CCI convertible loan").

The CCI convertible loan matures on February 28, 2022, extended from February 28, 2021 as per the 2021 Amendments of the CCI convertible loan. Subsequent to the year ended CCI convertible loan was extended further until February 28, 2023 (see Note 18).

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.

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

##### EBRD convertible loan

EBRD convertible loan	2021	2020
	\$000s	\$000s
Carrying amount at January 1	12,254	11,687
Adjustments recorded during the year:		
Accrued interest	840	840
Fair value adjustment	(21)	21
Foreign exchange movements	14	(294)
Carrying amount at December 31	13,087	12,254

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

During the year ended December 31, 2021 transaction costs of \$0.063 million were incurred for closing the 2021 Amendments of the EBRD convertible loan.

As per provisions of IFRS 9 *Financial Instruments*, the amount of change in the fair value of financial liability designated as 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.

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### 11. Loans and borrowings (continued)

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

##### EBRD convertible loan (continued)

The fair value of the EBRD convertible loan at December 31, 2021 was assessed at \$13.087 million (US\$10.241 million) (2020: \$12.254 million or US\$9.587 million), representing an decrease of the financial liability (2020: increase) due to fair value adjustment, whereby fair value gain of \$0.021 million was recognised in profit or loss (2020: fair value loss of \$0.021 million). A decrease/increase of discounting rate by 10%, used for calculation of discounted cash flow as part of the internally prepared model, would result in increase/decrease of approximately \$0.014 million in the Group's loss and the fair value of the EBRD convertible loan.

##### CCI convertible loan

CCI convertible loan	2021	2020
	\$000s	\$000s
Carrying amount at January 1	9,855	8,223
Adjustments recorded during the year:		
Adjustments due to the significant modification *		
Derecognition of the financial liability	(10,170)	-
Recognition of the financial liability	9,001	-
Transaction costs	(56)	-
Accrued interest	1,905	1,632
<b>Carrying amount at December 31</b>	<b>10,535</b>	<b>9,855</b>

\* Resulting from the significant modification of the CCI convertible loan, as per the 2021 Amendments of the CCI convertible loan, the existing financial liability was derecognised and new financial liability of \$9.001 million was recognised, while the remaining amount of that compound financial instrument of \$1.169 million was recognised as an equity component.

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 the CCI convertible loan are allocated on a proportional basis to the liability component and equity element, and those allocated to the liability component should be fully amortised until the maturity of the CCI convertible loan.

The significant modification of the CCI convertible loan's conditions as per the 2021 Amendments of the CCI convertible loan resulted in recognition of newly recognised financial liability in 2021, and derecognition of both the existing financial liability and related equity component of \$1.733 million, whereby the equity component was transferred to Accumulated losses. Therefore, a new financial liability has been recognised at \$9.001 million, while the remaining amount of that compound financial instrument of \$1.169 million has been recognised as an equity component.

During the year ended December 31, 2021 transaction costs of \$0.063 million were incurred for closing the 2021 Amendments of the CCI convertible loan, which were allocated on a proportional basis to the liability component and equity element. Transaction costs \$0.056 million allocated to the liability component will be fully amortised at February 28, 2022.

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

### 12. 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 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.

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.

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### 12. Gold purchase advance payments (continued)

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 consolidated financial statements, no termination or repayment notice has been received from Royal Gold, nor does the Group expect to receive such notice until funds for repayment of that advance payment are secured by the Group.

The following is a summary of the changes in the GPSA advance payments as at December 31, 2021 and 2020:

	2021	2020
	\$000s	\$000s
<b>Balance on January 1</b>	<b>14,379</b>	14,699
Adjustments recorded during the year:		
Foreign exchange movements:		
Unrealised foreign exchange loss/(gain)	1,157	(1,383)
Currency translation reserve movements *	(1,160)	1,063
<b>Balance on December 31</b>	<b>14,376</b>	14,379

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

### 13. 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 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.

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.

	Years ended December 31,	
	2021	2020
	\$000s	\$000s
Project management fees	2	70
Fees for the executive oversight of Macedonian operations	215	220
	<b>217</b>	290

At December 31, 2021, the Group owed ARQX Capital DWC Ltd \$0.018 million (December 31, 2020: \$0.018 million owed to Coast Invest Ltd, and \$0.002 million owed to Wheatley Project Services).

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### 13. Related party transactions (continued)

#### Transactions with key management personnel (continued)

##### (b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended December 31, 2021 and 2020 was as follows:

	Note	Years ended December 31,	
		2021	2020
		\$000s	\$000s
Short-term employee benefits		548	1,040
Post-employment benefits	(i)	19	51
Share-based payments (recoveries)/expenses	(ii)	(856)	2,281
		(289)	3,372

- (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 expense /(recovery) is the expense/income from share options, RSUs and DPUs granted to directors and key management personnel.

### 14. Financial instruments

#### (a) Management of capital risk

The capital structure of the Group consists of both (i) debt, comprising loans and borrowings and gold purchase advance payments; and (ii) equity, comprising share capital, various reserves and accumulated losses. The Group manages its capital in order to continue as a going concern and meet its debts as and when they fall due and payable. Until such time as the Group's Ilovica-Shtuka Project is in commercial production, the Group's key objectives are to preserve capital and maximise shareholder value.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may attempt to issue new common shares, raise debt finance or use other financing alternatives.

The Group is not subject to externally imposed capital requirements.

#### (b) Financial risk management

The Group is exposed to a number of financial risks such as liquidity risk, market risk (including currency risk and interest rate risk) and credit risk. The Group's board of directors has the overall responsibility for risk management and seeks to manage and minimise these risks as far as possible.

The Group does not currently hedge these risks using derivative financial instruments but will consider doing so in future periods, where possible. The Group does not enter into or trade financial instruments for speculative purposes.

##### (i) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk through the management of its capital structure and financial leverage. Management is cognisant of the Group's scarce cash resources and ensures that sufficient cash is available before committing to contracts and agreements.



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

### 14. Financial instruments (continued)

#### (b) Financial risk management (continued)

##### (i) Liquidity risk (continued)

The contractual maturities of financial liabilities, including estimated interest payments at the reporting date are presented below:

December 31, 2021	Carrying amount	Contractual cash flows			
		3 months or less	3-12 months	1-2 years	2-3 years
	\$000s	\$000s	\$000s	\$000s	\$000s
Trade and other payables	433	433	-	-	-
Gold purchase advance payments	14,376	14,376	-	-	-
Lease liability	142	13	39	52	38
Loans and borrowings	23,622	24,127	-	-	-
	38,573	38,949	39	52	38

December 31, 2020	Carrying amount	Contractual cash flows			
		3 months or less	3-12 months	1-2 years	2-3 years
	\$000s	\$000s	\$000s	\$000s	\$000s
Trade and other payables	414	414	-	-	-
Gold purchase advance payments	14,379	14,379	-	-	-
Lease liability	213	20	56	71	66
Loans and borrowings	22,109	22,543	-	-	-
	37,115	37,356	56	71	66

Under the provisions of GPSA, in case of its termination, gold purchase advance payments need to be repaid in full within 60 days of received termination notice. As at the date of these consolidated financial statements, no termination or repayment notice has been received from Royal Gold.

Loans and borrowings represents both the EBRD and the CCI convertible loans (their carrying amounts are disclosed in Note 11), while contractual cash payments at maturity date (at February 28, 2022) for both convertible loans are \$13.233 million (2020: \$12.372 million) and \$10.894 million (2020: \$10.171 million), respectively. Subsequent to the year ended both EBRD and the CCI convertible loans were extended further until February 28, 2023 (see Note 18), whereby contractual cash payments at February 28, 2023 are in total of \$25.828 million or \$14.160 million (US\$11.079 million) and \$11.668 million, respectively. In addition, contractual cash payments for the EBRD convertible loan are exposed by foreign currency fluctuations between the Canadian Dollar and the US Dollar (as disclosed in Note 14(b)(ii)). However, related contractual cash payments may not occur if either convertible loan is converted into the Company's common shares (see Note 11(a) for further details).

##### (ii) Foreign Currency risk

The Group is mostly exposed to foreign currency risk arising from fluctuation in the Canadian Dollar to the US Dollar exchange rate. However, the Group also has residual exposure to other currencies since the Group operates across a different countries (see Note 17).

The summary of the Group's exposure to currency risk as at December 31, 2021 and 2020 is as follows:

	U.S. Dollar	British Pound	Macedonian Denar	Euros	Total
	\$000s	\$000s	\$000s	\$000s	\$000s
<b>2021</b>					
Financial assets	293	9	92	9	403
Loans and borrowings	(13,087)	-	-	-	(13,087)
Lease liability	-	-	(142)	-	(142)
Gold purchase advance payments	(14,376)	-	-	-	(14,376)
Trade and other payables	(111)	(36)	(91)	(72)	(310)
<b>Net financial liabilities</b>	<b>(27,281)</b>	<b>(27)</b>	<b>(141)</b>	<b>(63)</b>	<b>(27,512)</b>
<b>2020</b>					
Financial assets	2,696	11	63	39	2,809
Loans and borrowings	(12,254)	-	-	-	(12,254)
Lease liability	-	-	(213)	-	(213)
Gold purchase advance payments	(14,379)	-	-	-	(14,379)
Other financial liabilities	(111)	(113)	(135)	(50)	(409)
<b>Net financial liabilities</b>	<b>(24,048)</b>	<b>(102)</b>	<b>(285)</b>	<b>(11)</b>	<b>(24,446)</b>

# Euromax Resources Ltd.

## Notes to the consolidated financial statements

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### 14. Financial instruments (continued)

#### (b) Financial risk management (continued)

##### (ii) Foreign Currency risk (continued)

Based on the above foreign currency exposures as at December 31, 2021 and assuming that all other variables remain constant, a 10% depreciation/appreciation of the Canadian Dollar would result in an increase/decrease of approximately \$2.751 million in the Group's loss for the year (2020: \$2.445 million).

The Group's sensitivity to foreign currency fluctuations is principally driven by the following financial liabilities denominated into US Dollars: gold purchase advance payments from Royal Gold (see Note 12) and the EBRD convertible loan (see Note 11).

##### (iii) Interest rate risk

At December 31, 2021, fixed interest rate is applied for both convertible loans and therefore a change in interest rates at reporting date would not affect the profit or loss.

##### (iv) Credit risk

The Group's exposure to credit risk was limited to the recovery of value added taxes from Canadian, Macedonian and UK tax authorities and advances for corporate income tax from Macedonian tax authorities.

#### (c) Categories of financial instruments and measuring fair values

##### (i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

The EBRD convertible loan is measured at fair value at the end of the reporting period. The table below provides information about the valuation techniques and inputs used for determining that fair value.

Financial liability	Fair value as at December 31,		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2021 \$000s	2020 \$000s				
EBRD convertible loan	13,087	12,254	Level 3	Internally developed model that values the loan amount (on a discounted cash flow basis) and the conversion option using the Black-Scholes option pricing model. The key inputs to the model include contract and market interest rates, foreign exchange rates and the Company's common share price.	A probability weighting is applied to each scenario, based on future financing plans, by using the management's best estimates of likelihood of each scenario occurring.	A change in the probability weighting applied by management would change the fair value of the loan.  At December 31, 2021, the fair value was determined by only one scenario developed (2020: one scenario).

##### (ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value

Except as detailed in the following table, the Company's board of directors consider that the carrying amount of financial assets and financial liabilities recognised in these consolidated financial statements approximate their fair values at year end.

	December 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$000s	\$000s	\$000s	\$000s
<b>Financial liability measured at amortised cost</b>				
Loans and borrowings - CCI convertible loan	10,535	10,776	9,855	10,060

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### 15. Income taxes

#### (a) Amounts recognised in the income statement:

	Year ended December 31,	
	2021	2020
<i>Recognised in the consolidated statement of profit or loss</i>	<b>\$000s</b>	\$000s
Current tax expense	-	43
Deferred tax expense	-	-
<b>Income tax expense on continuing operations</b>	<b>-</b>	<b>43</b>
<i>Analysis of charge in year</i>		
Loss before tax	<b>(6,354)</b>	(7,382)
Canadian statutory tax rate	<b>27.00%</b>	27.00%
Expected income tax credit	<b>(1,716)</b>	(1,993)
Changes attributable to:		
Non-taxable income/Non-deductible expenses	<b>418</b>	1,023
Difference in tax rates between Canada and foreign jurisdictions	<b>436</b>	61
Tax effect of tax losses and temporary differences not recognised	<b>862</b>	974
Used tax loss from previous years	-	(22)
<b>Income tax expense on continuing operations</b>	<b>-</b>	<b>43</b>

#### (b) Unrecognised deductible temporary differences and unused tax losses:

The Group's unrecognised deductible temporary differences and unused tax losses consist of the following amounts and will expire as follows:

	2021		
	Tax losses - revenue	Other temporary differences	Total
<i>Expiry date</i>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
Within one year	<b>1,534</b>	<b>153</b>	<b>1,687</b>
Greater than one year, up to five years	<b>3,385</b>	<b>202</b>	<b>3,587</b>
Greater than five years	<b>42,437</b>	-	<b>42,437</b>
	<b>47,356</b>	<b>355</b>	<b>47,711</b>
	2020		
	Tax losses - revenue	Other temporary differences	Total
<i>Expiry date</i>	\$000s	\$000s	\$000s
Within one year	-	141	141
Greater than one year, up to five years	1,657	176	1,833
Greater than five years	42,728	-	42,728
	<b>44,385</b>	<b>317</b>	<b>44,702</b>

Management believes that sufficient uncertainty exists regarding the recognition of deferred income tax assets and accordingly no deferred tax asset was recorded at December 31, 2021 and 2020.

### 16. Contingencies and commitments

Apart of above presented contractual obligations, in other notes of these consolidated financial statements, the Group had no further contingencies or commitments as at December 31, 2021.

### 17. List of subsidiaries

Set out below is a list of material subsidiaries of the Group as at December 31, 2021 and 2020.

Subsidiaries	Principal place of business	Functional currency	Ownership	
			2021	2020
OMAX International Limited	Cayman Islands	Euros	%	%
Euromax Resources (Macedonia) Ltd	Canada	Canadian Dollars	<b>100</b>	100
Euromax Resources (Macedonia) UK Limited	United Kingdom	Euros	<b>100</b>	100
Euromax Resources UK (Services) Limited	United Kingdom	British Pounds	<b>100</b>	100
Euromax Resources (Bulgaria) UK Limited	United Kingdom	Euros	<b>100</b>	100
Euromax Resources DOO Skopje	Republic of North Macedonia	Macedonian Denars	<b>100</b>	100

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### **18. Subsequent events**

Subsequent to December 31, 2021 following reportable events have occurred:

- Fully vested 515,000 RSUs, granted to key management personnel, were converted into common shares in January 2022.
- On February 25, 2022 both EBRD and CCI convertible loans were extended to February 28, 2023.
- On February 25, 2022 the Group announced that one of its major shareholders, that was part of the 2021 Private Placement, has agreed to issue an unsecured promissory note of US\$0.5 million to the Group.