Euromax
RESOURCES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

Expressed in Canadian dollars

Euromax Resources Ltd.

December 31, 2019 and 2018

Table of contents

To the Shareholders of Euromax Resources Limited

Opinion

We have audited the consolidated financial statements of Euromax Resources Limited and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2019, and the consolidated statements of profit or loss and other comprehensive income or loss, consolidated statement of cash flows and consolidated statement of changes in equity for the years then ended, and 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, 2018 and December 31, 2019, 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 4(a) of the financial statements, which indicates the uncertainty around the Group's ability to achieve a favorable legal outcome in the local courts in Macedonia pertaining to the ongoing case for the exploration license, repayment of existing funding arrangements and the requirement to raise additional short term financing. As stated in Note 4(a), these events or conditions, along with other matters as set out in Note 4(a), indicate that a material uncertainty exists which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 skepticism 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.

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

Chartered Professional Accountants, Licensed Public Accountants

BDO LLP

Matt Crane (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

Date: 24 March 2020
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Euromax Resources Ltd.

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

(Expressed in Canadian dollars)

	Note	Years ended December 31, 2019 $000s	2018 * $000s
Operating expenses			
Accounting, legal and professional		**(878)**	(569)
Depreciation	**9**	**(134)**	(129)
Amortisation	**7**	**(1)**	(3)
Office and general		**(241)**	(257)
Regulatory, filing and transfer agent		**(41)**	(41)
Rent		**(14)**	(202)
Salaries, director and consultant fees		**(1,548)**	(2,019)
Share-based payments recovery	**12 (d)**	**48**	713
Investor and public relations		**(104)**	(255)
Travel		**(114)**	(101)
Exploration and evaluation costs		**(72)**	(2)
Loss on foreign exchange		**(221)**	(1,525)
Operating loss		**(3,320)**	(4,390)
Finance income	**7**	**62**	-
Finance expense	**7**	**(2,566)**	(2,933)
Fair value loss on modification of financial liabilities	**13 (b)**	**-**	(1,568)
Fair value gain/(loss) on financial liabilities	**13 (b)**	**5**	(380)
Net finance loss		**(2,499)**	(4,881)
Other items			
Other income		**-**	27
Loss before tax		**(5,819)**	(9,244)
Income tax expense	**17 (a)**	**-**	(7)
Loss for the period		**(5,819)**	(9,251)
Other comprehensive (loss)/income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Cumulative translation adjustment on foreign subsidiaries		**(1,314)**	810
Total other comprehensive (loss)/income, net of tax		**(1,314)**	810
Total comprehensive loss for the year		**(7,133)**	(8,441)
Loss per common share			
Basic and diluted	**6**	**(0.02)**	(0.06)
Weighted average number of common shares outstanding			
Basic and diluted	**6**	**271,726,147**	158,066,294

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

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	As at December 31, 2019 $000s	December 31, 2018 * $000s
ASSETS			
Current assets			
Cash and cash equivalents		**6,964**	1,086
Other receivables		**48**	26
Other current assets		**171**	47
Total current assets		**7,183**	1,159
Non-current assets			
Land and property, plant and equipment	**9**	**308**	167
Intangible assets		**-**	1
Mineral right interests	**8**	**37,793**	39,918
Total assets		**45,284**	41,245
LIABILITIES			
Current liabilities			
Trade and other payables		**623**	634
Gold purchase advance payments	**14**	**14,699**	15,338
Working capital loan	**15 (c)**	**-**	349
Share-based payment liabilities	**12 (d)**	**358**	577
Loans and borrowings	**13**	**-**	19,584
Lease liability	**3 (c)**	**71**	-
Total current liabilities		**15,751**	36,482
Non-current liabilities			
Lease liability	**3 (c)**	**129**	-
Loans and borrowings	**13**	**19,910**	-
Total assets		**35,790**	36,482
EQUITY			
Share capital	**11 (a)**	**78,544**	74,306
Equity reserve		**16,898**	10,998
Convertible loan reserve	**13 (b)**	**1,733**	-
Currency translation reserve		**3,544**	4,849
Accumulated losses		**(91,225)**	(85,390)
Total equity attributable to owners of the Company		**9,494**	4,763
Total liabilities and equity		**45,284**	41,245

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

Nature of operations	**1**
Subsequent events	**20**

Approved on behalf of the Board of Directors

Signed "Varshan Gokool"

Varshan Gokool, Director

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, 2019 and 2018

	Note	Share capital Number of shares	Amount $000s	Equity reserve $000s	Convertible loan reserve $000s	Currency translation reserve $000s	Accumulated losses $000s	Total equity $000s
Balance on January 1, 2018		*135,815,163*	*70,260*	*9,452*	*762*	*4,039*	*(77,619)*	*6,894*
Total comprehensive loss for the year								
Loss for the year			-	-	-	-	(9,251)	(9,251)
Other comprehensive income for the year			-	-	-	810	-	810
Total comprehensive loss for the year			-	-	-	*810*	*(9,251)*	*(8,441)*
Transactions with owners of the Company								
Common shares issued, net of issue costs	**11 (a)**	29,000,000	3,612	1,429	-	-	-	5,041
Exercised equity-settled share-based payments	**11 (a)**	1,926,917	434	(434)	-	-	-	-
Equity-settled share-based payments	**12 (d)**		-	519	-	-	-	519
Effect of modification of financial liabilities	**13 (b)**		-	-	(762)	-	762	-
Conversion of cash-settled into equity-settled share-based payments			-	555	-	-	-	555
Cancellation of share-based payments			-	(219)	-	-	414	195
Transfer of expired share options	**11 (c)**		-	(304)	-	-	304	-
Total transactions with owners of the Company		*30,926,917*	*4,046*	*1,546*	*(762)*	-	*1,480*	*6,310*
Balance on December 31, 2018		166,742,080	74,306	10,998	-	4,849	(85,390)	4,763
Balance on January 1, 2019		***166,742,080***	***74,306***	***10,998***	**-**	***4,849***	***(85,390)***	***4,763***
Impact of change in accounting policy	**3 (c)**		-	-	-	9	(16)	(7)
Adjusted balance on January 1, 2019		***166,742,080***	***74,306***	***10,998***	**-**	***4,858***	***(85,406)***	***4,756***
Total comprehensive loss for the year								
Loss for the year			**-**	**-**	**-**	**-**	**(5,819)**	**(5,819)**
Other comprehensive loss for the year			**-**	**-**	**-**	**(1,314)**	**-**	**(1,314)**
Total comprehensive loss for the year			**-**	**-**	**-**	***(1,314)***	***(5,819)***	***(7,133)***
Transactions with owners of the Company								
Common shares issued, net of issue costs	**11 (a)**	**164,649,677**	**4,193**	**5,846**	**-**	**-**	**-**	**10,039**
Conversion of cash-settled into equity-settled share-based payments	**11 (a)**		**-**	**45**	**-**	**-**	**-**	**45**
Exercised equity-settled share-based payments	**11 (a)**	**537,765**	**45**	**(45)**	**-**	**-**	**-**	**-**
Equity-settled share-based payments			**-**	**54**	**-**	**-**	**-**	**54**
Equity component of convertible loan	**13 (b)**		**-**	**-**	**1,733**	**-**	**-**	**1,733**
Total transactions with owners of the Company		***165,187,442***	***4,238***	***5,900***	***1,733***	**-**	**-**	***11,871***
Balance on December 31, 2019		**331,929,522**	**78,544**	**16,898**	**1,733**	**3,544**	**(91,225)**	**9,494**

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

		Years ended December 31,	
	Note	2019	2018 *
		$000s	$000s
OPERATING ACTIVITIES			
Loss before tax		**(5,819)**	(9,244)
Add back:			
Depreciation	**9**	**134**	129
Amortisation	**7**	**1**	3
Finance income	**7**	**(62)**	-
Finance expense	**7**	**2,566**	2,933
Share-based payments recovery	**12 (d)**	**(48)**	(713)
Payment of cash-settled share-based payments	**12 (a)**	**(72)**	-
Unrealised foreign exchange (gain)/loss		**(3)**	1,485
Fair value loss on modification of financial liabilities	**13 (b)**	**-**	1,568
Fair value (gain)/loss on financial liabilities	**13 (b)**	**(5)**	380
Loss on disposal of property, plant and equipment	**9**	**5**	-
Gain from disposal of property, plant and equipment	**9**	**-**	(6)
Changes in working capital items:			
(Increase)/decrease in trade and other receivables and prepayments and deposits		**(146)**	92
Increase/(decrease) in trade and other payables		**31**	(520)
Income tax paid		**(7)**	(12)
Cash used in operating activities		**(3,425)**	(3,905)
INVESTING ACTIVITIES			
Expenditures on mineral right interests		**(417)**	(573)
Purchases of property, plant and equipment and land		**(35)**	(48)
Proceeds from disposal of property, plant and equipment	**9**	**-**	4
Proceeds from contingent consideration	**10**	**-**	488
Interest received		**62**	-
Cash used in investing activities		**(390)**	(129)
FINANCING ACTIVITIES			
Proceeds from shares issued	**11 (a)**	**10,373**	5,220
Share issue costs	**11 (a)**	**(334)**	(262)
Repayment of working capital loan	**15 (c)**	**(346)**	(290)
Payment of lease liabilites		**(76)**	-
Interest paid		**(6)**	(6)
Cash provided by financing activities		**9,611**	4,662
Effect of exchange rate changes on cash		**82**	(66)
Net change in cash and cash equivalents		**5,796**	628
Cash and cash equivalents, beginning of the year		**1,086**	524
Cash and cash equivalents, end of the year		**6,964**	1,086

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

See accompanying notes to the consolidated financial statements.

1. Nature of operations

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

These 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, 2020.

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 revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below.

This is the first set of the Group's consolidated financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 3.

Details of the Group's accounting policies are set out in Note 4.

(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, 2018 except for changes arising from the adoption of new accounting pronouncements as listed below.

New accounting pronouncement that has impact on the Group's consolidated financial statements:

- IFRS 16 *Leases – effective from January 1, 2019*

  IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

  The effect of application of IFRS 16 are disclosed in Note 3.

2. Basis of preparation (continued)

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

Other new accounting pronouncements that do not have a material impact on the Group's consolidated financial statements, and that are effective from January 1, 2019, are as follows:

- IFRIC 23 *Uncertainty over Income Tax Treatment.*
- Prepayment Features with Negative Compensation (Amendments to IFRS 9 *Financial Instruments*).
- Annual Improvements to IFRSs 2015-2017 Cycle – (Amendments to IFRS 3 *Business Combinations*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*).

The following other standards and interpretations, that are effective for periods beginning after January 1, 2020, 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:

- Amendments to References to Conceptual Framework in IFRS Standards – *effective from January 1, 2020.*
- Definition of a Business (Amendments to IFRS 3 *Business Combinations*) – *effective from January 1, 2020.*
- Definition of Material (Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*) – *effective from January 1, 2020.*

3. Changes in significant accounting policies

The Group initially applied IFRS 16 *Leases,* from January 1, 2019, by using the modified retrospective approach, under which the cumulative effect of initial application is recognised in Accumulated losses at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported under IAS 17 *Leases* and its related interpretations. Additionally, the disclosures requirements in IFRS 16 were not applied to the comparative information.

The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease, as explained in Note 4(g).

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

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

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

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

3. Changes in significant accounting policies (continued)

(b) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include offices and warehouse facility within Macedonian operating segment. Based on the existing lease agreements, all these leases are run for a one year period, however all leases include an option to renew the lease for an addition undermined period.

On transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at January 1, 2019 (see Note 13(a)). Right-of-use assets are measured at their carrying amount as if IFRS 16 has been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

The Group applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term when applying IFRS 16 to leases previously classified as operating leases under IAS 17, and accordingly, rent expense of $0.014 million was recognised for the year ended December 31, 2019 for these short-term leases.

(c) Impact on transition

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

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

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 7% (interest rate applied to both convertible loans, see Note 13(a)).

As result of the application of IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised $0.191 million of right-of-use assets and $0.200 million of lease liabilities at December 31, 2019, whereby $0.071 million is current, while $0.129 million is non-current lease liability. As comparison, if provisions of IAS 17 were applied for these leases, at December 31, 2019 related commitments would be $0.010 million.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating rent expense. For the year ended December 31, 2019, the Group recognised depreciation charges of $0.065 million and interest costs from these leases of $0.012 million, resulting from the application of the IFRS 16.

4. 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, 2019, the Group had net assets of $9.5 million (2018: $4.8 million) and a net working capital deficiency of $8.6 million (2018: $35.3 million), including cash of $7 million (2018: $1.1 million).

4. Summary of significant accounting policies (continued)

(a) Going concern (continued)

The Group's $8.6 million working capital deficiency at December 31, 2019 mainly results from gold purchase advance payments of $14.7 million (December 31, 2018: $15.3 million) received from Royal Gold, AG ("Royal Gold") (see Note 14), which are repayable on termination of the Gold Purchase and Sale Agreement. The gold purchase advance payments are classified as current liabilities as contractually repayment may be required within the next twelve months. As at the date of these consolidated financial statements no termination or repayment notice has been received from Royal Gold.

The reduction of working capital deficiency was mainly due to the reclassification of two convertible loans of $19.9 million as a non-current liability at December 31, 2019 (at December 31, 2018 these convertible loans of $19.6 million were recognised as current liability) resulting from their extension to February 28, 2021 following to the closing of a non-brokered private placement on May 13, 2019 (the "May 2019 Private Placement"). However, whilst these convertible loans are classified as a non-current liability at December 31, 2019, both mature on February 28, 2021 which falls within 12 months of the approval of these consolidated financial statements. These convertible loans represent individual loans closed separately with European Bank for Reconstruction and Development ("EBRD") (the "EBRD convertible loan") and with CC Ilovitza ("CCI" a member of the CCC Group) (the "CCI convertible loan") (see Note 13).

On May 13, 2019, the Group closed the May 2019 Private Placement for gross proceeds of $10.4 million (see Note 11).

The Company's board of directors have reviewed the Group's forecasts for the period ended June 30, 2021, in which are including all committed costs for maintaining the Ilovica-Shtuka copper project (the "Ilovica-Shtuka Project") in the Republic of North Macedonia ("Macedonia"), but prepared based on following major assumptions that:

- neither termination nor repayment notices will be received from Royal Gold ($14.7 million at December 31, 2019); and
- both convertible loans will be either converted into Company's common shares or further extended later than June 30, 2021 (potential contractual cash outflows of $22.8 million at February 28, 2021, see Note 16(b)(i)).

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

- repay the gold purchase advance payments, if termination or repayment notice is received from Royal Gold;
- repay both convertible loans, if neither are extended later than June 30, 2021 or converted into the Company's common shares; and
- ultimately construct and bring the Ilovica-Shtuka Project into commercial production.

The directors believe that such funding will be dependent on the outcome of the legal matter discussed below and in Note 8.

On July 12, 2019 Euromax announced that the Group received the Rejection Resolution for a Concession for exploitation of mineral resources ("Exploitation Concession") for Ilovica 6 (see Note 8), and following to that the Group submitted an appeal on that Rejection Resolution to the State Commission for Acting Upon Administrative and Employment procedures in the Second Instance ("Second Instant Commission"). However, that appeal was rejected by the Second Instant Commission, and on October 14, 2019 a lawsuit was submitted to the Administrative Court in Macedonia appealing the Resolution for Rejection of the Appeal (see Note 8). On December 16, 2019 Exploitation Concession for Ilovica 6 was terminated, and following to that, subsequent to the December 31, 2019, Euromax filed a lawsuit to the Administrative Court in Macedonia against that termination (see Note 20).

As at the date of these consolidated financial statements, the Exploitation Concession for Ilovica 11 is considered valid and in possession of the Group. Whilst the administrative process for termination of the Exploitation Concession for Ilovica 6 is complete as of December 16, 2019, this administrative process is in dispute and is in process in the lower court in the Republic of North Macedonia. There are also further steps including an appeal in the higher court of the Republic of North Macedonia together with international arbitration if required.

4. Summary of significant accounting policies (continued)

(a) Going concern (continued)

Based on independent legal advice that demonstrate that the Group is legally compliant with respect to the dispute, as at December 31, 2019 the Group is of the view that it has a strong legal position, and accordingly has a reasonable expectation that the lawsuit will be resolved in the Group's favour in line with the local Macedonian laws that would enable further progress towards the development of the Ilovica-Shtuka Project.

Whilst the directors remain optimistic that the outcome of the lawsuit would be positive in enabling progress towards the development of the Ilovica-Shtuka Project, the Group's funding position is also reliant on the convertible loans being either converted into the Company's common shares or repayment further extended when they mature on February 28 2021, the gold purchase advance payments would not require settlement in cash until June 30, 2021, and that the Group can raise additional debt or equity funding to ultimately construct and bring the Ilovica-Shtuka Project into commercial production, of which none of these events are within the Group's control. The Directors are confident that the Group's debt holders (convertible loans and gold purchase advance payments) remain supportive. The convertible loan holders have extended the terms of the agreements in the past and Royal Gold have not called the advance gold payments to date. If either the Royal Gold's advance payments or convertible loans require settlement in cash, then the Group would need to raise additional funds either through equity (supported by existing shareholders or new shareholders) or further debt. The directors also note that the current coronavirus (COVID-19) pandemic could have an impact upon both the timing of the completion of the legal case and the ability to raise futures funds as and when required. These events are outside of the Group's control. 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 control is transferred to the Group. 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.

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.

4. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(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 19.

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, than the relevant proportion of the cumulative translation differences is allocated to NCI.

(d) Discontinued operation

A discontinued operation is a component of the Group's business, whereby the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate operating sector or geographic area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI/L is represented as if the operation had been discontinued from the start of the comparative year.

(e) 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.

4. Summary of significant accounting policies (continued)

(f) 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.

(g) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

➢ **Policy applicable from January 1, 2019**

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after January 1, 2019.

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

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

Right-of-use asset

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 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 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 Group presents right-of-use assets within 'property, plant and equipment', within the same line item as it presents underlying assets of the same nature that it owns.

4. Summary of significant accounting policies (continued)

(g) Leases (continued)

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.

For measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 7% (interest rate applied to both convertible loans, see Note 13(a)).

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

➢ **Policy applicable before January 1, 2019**

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

4. Summary of significant accounting policies (continued)

(h) 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.

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.

(i) 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.

4. Summary of significant accounting policies (continued)

(i) Property, plant and equipment (continued)

(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.

(j) 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.

(k) 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.

4. Summary of significant accounting policies (continued)

(l) 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, 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.

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 a 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.

4. Summary of significant accounting policies (continued)

(l) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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.

(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.

(m) 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.

4. Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

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.

(p) 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 (“DPUs”) 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.

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.

4. Summary of significant accounting policies (continued)

(q) 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.

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.

4. Summary of significant accounting policies (continued)

(q) Impairment (continued)

(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.

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 had 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.

(r) 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.

4. Summary of significant accounting policies (continued)

(s) 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 5.

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 entirely 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 5.

5. Use of significant estimates

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The estimates viewed by management as having the most significant impact on these consolidated financial statements are discussed below:

5. Use of significant estimates (continued)

(a) 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 recoverable amount where calculated 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.

Assuming a positive resolution of the legal dispute, that would result in the continued development of the Ilovica-Shtuka Project, as explained in Note 8, the Group believes that as at December 31, 2019 there is no need for impairment of the carrying amount of the mineral right interest for the Ilovica-Shtuka Project.

(b) Equity-settled share-based payment arrangements

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.

(c) 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) and the conversion option using a Black-Scholes valuation methodology.

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 regarding the yield applied to the loans have been included in Note 13(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.

(d) Leases

The lease liability is initially 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% (interest rate applied to both convertible loans, see Note 13(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.

6. Loss per share

	Years ended December 31, 2019	2018
	$000s	$000s
Net loss for the period after tax	**(5,819)**	(9,251)
Basic and diluted weighted average number of common shares	**271,726,147**	158,066,294
Basic and Diluted loss per share	**(0.02)**	(0.06)

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

	Note	2019	2018
Issued common shares at January 1		**166,742,080**	135,815,163
Effect of common shares issued (weighted average number)	**11 (a)**	**104,654,041**	21,134,247
Effect of Restricted Share Units ("RSUs") exercised (weighted average number)	**11 (a)**	**330,026**	1,116,884
Basic weighted average number of common shares at December 31		**271,726,147**	158,066,294

For the years ended December 31, 2019 and 2018, because there would be further reduction in loss per share resulting from the assumption that share options (see Note 12), warrants (see Note 11(b)) and convertible loan (see Note 13) 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, 2019 and 2018.

7. 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

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

	Macedonia		Corporate		Total	
For the years ended *In thousands $*	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Finance income	**-**	-	**62**	-	**62**	-
Finance expense	**(2)**	(1)	**(2,564)**	(2,932)	**(2,566)**	(2,933)
Depreciation	**(134)**	(125)	**-**	(4)	**(134)**	(129)
Amortisation	**(1)**	(3)	**-**	-	**(1)**	(3)
Segment loss before tax	**(1,902)**	(2,455)	**(3,917)**	(6,789)	**(5,819)**	(9,244)

	Macedonia		Corporate		Total	
As at *In thousands $*	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018	**December 31, 2019**	December 31, 2018
Segment assets	**38,307**	40,144	**6,977**	1,101	**45,284**	41,245
Segment liabilities	**331**	192	**35,459**	36,290	**35,790**	36,482

* The Group has initially applied IFRS 16 at January 1, 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating lease (see Note 3). As a result, the Group recognised $0.191 million of right-of-use assets and $0.200 million of lease liabilities from these lease contracts. The assets and liabilities are included in Macedonian operating segment at December 31, 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information has not been restated.

8. Mineral right interests

Macedonia

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

The Ilovica-Shtuka Project consists of two adjacent properties, Ilovica 6 and Ilovica 11. The Group was granted 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 positively responded on the request for the merger of the Group's two exploitation concessions (the "Merger"), however the final approval is still waiting from the Macedonian Government. The approval of the Merger represents a significant trigger for further development of the Ilovica-Shtuka Project.

On July 12, 2019 Euromax announced that the Group received a Rejection Resolution from the Ministry of Economy in Macedonia on the Exploitation Permit Request for Exploitation Concession for Ilovica 6 ("Rejection Resolution"), submitted on July 22, 2016. The Rejection Resolution is based on the claim that all documents required under the law for the application were not submitted by the Group. Following to that, the Group submitted an appeal on that Rejection Resolution to the Second Instant Commission, however that appeal was rejected ("Resolution for Rejection of the Appeal"). Following to that, on October 14, 2019 a lawsuit was submitted to the Administrative Court in Macedonia appealing the Resolution for Rejection of the Appeal.

On November 1, 2019, an Exploitation Permit Request for Exploitation Concession for Ilovica 11 was submitted for its approval.

On December 16, 2019 Exploitation Concession for Ilovica 6 was terminated, and following to that, subsequent to the December 31, 2019, Euromax filed a lawsuit to the Administrative Court in Macedonia against that termination (see Note 20).

As at the date of these consolidated financial statements, the Exploitation Concession for Ilovica 11 is considered valid and in possession of the Group. Whilst the administrative process for termination of the Exploitation Concession for Ilovica 6 is complete as of December 16, 2019, this administrative process is in dispute and is in process in the lower court in the Republic of North Macedonia. There are also further steps including an appeal in the higher court of the Republic of North Macedonia together with international arbitration if required.

Based on independent legal advice that demonstrate that the Group is legally compliant with respect to the dispute, as at December 31, 2019 the Group is of the view that it has a strong legal position, and accordingly has a reasonable expectation that the lawsuit will be resolved in the Group's favour in line with the local Macedonian laws that would enable further progress towards the Ilovica-Shtuka Project

8. Mineral right interests (continued)

Macedonia (continued)

Assuming a positive resolution of the legal dispute, that would result in the continued development of the Ilovica-Shtuka Project, as explained above, the Group believes that as at December 31, 2019 there is no need for impairment of the carrying amount of the mineral right interest for the Ilovica-Shtuka Project as presented below.

A summary of changes to the Group's mineral right interests in the years ended December 31, 2019 and 2018 is set out below.

	Macedonia *Ilovica-Shtuka Project*
	$000s
Balance, January 1, 2018	38,149
Exploration expenditures:	
Feasibility costs	243
Social & environmental costs	15
Other	85
	38,492
Other items:	
Foreign exchange movements	1,426
Balance, December 31, 2018	39,918
Balance, January 1, 2019	**39,918**
Exploration expenditures:	
Feasibility costs	**144**
Other	**240**
	40,302
Other items:	
Foreign exchange movements	**(2,509)**
Balance, December 31, 2019	**37,793**

9. Property, plant & equipment

The Group's property, plant and equipment at December 31, 2019 and 2018 are as follows:

	Land $000s	Buildings	Vehicles	Office equipment $000s	Field equipment $000s	Leasehold improvements $000s	Total $000s
Cost							
Balance at January 1, 2018	-	-	249	231	265	118	863
Acquisitions	42	-	20	2	-	-	64
Disposals	-	-	(39)	(20)	(5)	(12)	(76)
Foreign exchange movements	-	-	12	2	15	5	34
Balance at December 31, 2018	42	-	242	215	275	111	885
Recognition of right-of-use asset on initial application of IFRS 16	-	266	-	-	-	-	266
Foreign exchange movements	-	10	-	-	-	-	10
Adjusted balance at January 1, 2019	**42**	**276**	**242**	**215**	**275**	**111**	**1,161**
Acquisitions	**28**	**-**	**-**	**2**	**4**	**-**	**34**
Disposals	**-**	**-**	**(38)**	**(5)**	**(2)**	**-**	**(45)**
Revaluation of right-of-use asset	**-**	**62**	**-**	**-**	**-**	**-**	**62**
Foreign exchange movements	**(3)**	**(18)**	**(16)**	**(11)**	**(18)**	**(7)**	**(73)**
Balance at December 31, 2019	**67**	**320**	**188**	**201**	**259**	**104**	**1,139**
Accumulated depreciation							
Balance at January 1, 2018	-	-	154	164	206	99	623
Depreciation	-	-	43	39	32	16	130
Disposals	-	-	(28)	(16)	(4)	(12)	(60)
Foreign exchange movements	-	-	8	-	12	5	25
Balance at December 31, 2018	-	-	177	187	246	108	718
Revalued of right-of-use due to remeasured lease liability	-	68	-	-	-	-	68
Foreign exchange movements	-	1	-	-	-	-	1
Adjusted balance at January 1, 2019	**-**	**69**	**177**	**187**	**246**	**108**	**787**
Depreciation	**-**	**66**	**31**	**21**	**14**	**2**	**134**
Disposals	**-**	**-**	**(33)**	**(5)**	**(2)**	**-**	**(40)**
Foreign exchange movements	**-**	**(6)**	**(12)**	**(9)**	**(16)**	**(7)**	**(50)**
Balance at December 31, 2019	**-**	**129**	**163**	**194**	**242**	**103**	**831**
Carrying amount							
At December 31, 2018	42	-	65	28	29	3	167
At December 31, 2019	**67**	**191**	**25**	**7**	**17**	**1**	**308**

9. Property, plant & equipment (continued)

Following to the initial application of IFRS 16 from January 1, 2019, the Group recognised right-of-use assets and lease liabilities regarding leases for offices and warehouse facility within Macedonian operating segment, which were classified as operating leases under IAS 17 in 2018.

At December 31, 2019, based on the management assumption that all leases, for which right-of-use asset and lease liabilities have been recognised in accordance with IFRS 16, would be used for the period ended December 31, 2022 required recognition of lease modification for these leases, since it was initially estimated that these would be used for the period ended December 31, 2021, and therefore, these lease liabilities were remeasured and related increase of $0.062 million for both lease liabilities and right-of-use assets was recognised at December 31, 2019.

All items disposed in 2019 and 2018 were in the Macedonian operating segment, whereby loss on disposal of $0.005 million was recognised in the year ended December 31, 2019 for one disposed vehicle, while during the year ended December 31, 2018 office equipment was sold to employees that left the Group for net proceed of $0.004 million, and one vehicle was replaced with new one, which was resulted in gain of $0.006 million

During 2019 and 2018, the Group signed pre-agreements for purchase of the land located on Ilovica 11 with private land owners, whereby $0.028 million in 2019 and $0.042 million in 2018 were paid in form of advance payment for the land, while an additional $0.270 million is payable when a final agreement is signed.

10. Contingent consideration

On April 28, 2014 the Group announced the sale of Euromax Services EOOD and after receipt of all upfront consideration of $3.023 million control passed to the purchaser on May 9, 2014.

Accordingly, contingent consideration amounting to US$0.816 million ($1.108 million) was receivable from the purchaser subject to no claims arising under the warranties of the sale and purchase agreement. Part of this contingent consideration was collected on December 22, 2015 by receiving US$0.453 million ($0.605 million), while the remaining amount of US$0.363 million ($0.488 million) was received on December 20, 2018.

11. Share capital and reserves

(a) Share capital

At December 31, 2019, Euromax's share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2019 Number of shares	**2019 Amount**	2018 Number of shares	2018 Amount
		$000s		**$000s**
Balance on January 1	**166,742,080**	**74,306**	135,815,163	70,260
Common shares issued, net of issue costs	**164,649,677**	**4,193**	29,000,000	3,612
Exercised equity-settled share-based payments	**537,765**	**45**	1,926,917	434
Balance on December 31	**331,929,522**	**78,544**	166,742,080	74,306

On March 22, 2019, the Group announced that the May 2019 Private Placement was agreed with its existing shareholders to issue 164,649,677 common shares at a price of $0.0625 for gross proceed of $10.291 million or denominated into US$7.728 million by using agreed fixed exchange rate of Canadian Dollar against United States Dollar of 1.3316. Once required condition for closing of the May 2019 Private Placement were satisfied, on May 13, 2019 the Group announced closing of the May 2019 Private Placement and US$7.728 million or $10.373 million (revalued at May 13, 2019) were received.

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

As part of the May 2019 Private Placement, the Group signed an off-take agreement with Trafigura Pte. Ltd. ("Trafigura"), and together with the signed off-take agreement in 2018, the whole future production of the copper concentrate from the Ilovica-Shtuka Project will be sold to Trafigura.

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

11. Share capital and reserves (continued)

(a) Share capital (continued)

On April 12, 2018 the Company closed a non-brokered private placement (the "April 2018 Private Placement") by issuing of 29 million common shares at a price of $0.18 for proceeds of $5.220 million.

The Company incurred share issue costs of $0.179 million for filing and legal fees, of which $0.129 million was allocated to share capital and $0.050 million to share purchase warrants via the equity reserve. These costs were fully paid in 2018.

Additionally, during the year ended December 31, 2018 share issued costs of $0.083 million were paid, which were incurred for two additional private placements closed in August and September 2017.

During the year ended December 31, 2019, 537,765 fully vested RSUs were converted into the Company's common shares, which were previously converted from fully vested DPUs at fair value of $0.045 million, relating to a director who left the Company (see Note 12(a)).

While, during the year ended December 31, 2018, 1,926,917 fully vested RSUs were converted into the Company's common shares, of which 1,361,917 RSUs had been converted from fully vested DPUs at fair value of $0.273 million, relating to a director who left the Company (see Note 12(a)). An amount of $0.434 million being of the share-based payment cost of these RSUs was accordingly transferred to share capital from equity reserve.

During the year ended December 31, 2019 and 2018 no share options and no share purchase warrants were exercised.

(b) Share Purchase Warrants

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

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

As part of the April 2018 Private Placement the Company issued 29 million share purchase warrants exercisable each at a price of $0.23 at any time before April 12, 2020.

The aggregate fair market value of the share purchase warrants and the shares issued in the May 2019 Private Placement and the April 2018 Private Placement was distributed on a pro-rata basis between share capital and equity reserve.

The fair value of the share purchase warrants from the May 2019 Private Placement was estimated at $0.0367 per share purchase warrant, or in total of $6.043 million for all issued 164,649,677 share purchase warrants. While, the fair value of the share purchase warrants from the April 2018 Private Placement was estimated at $0.051 per share purchase warrant, or in total of $1.479 million for all issued 29 million share purchase warrants. The fair value of share purchase warrants has been determined at the grant date by using the Black-Scholes option pricing model, whereby the weighted average assumptions used are presented in the following table:

Year ended	**December 31, 2019**	December 31, 2018
Risk free interest rate	**1.58%**	1.88%
Expected life	**2 years**	2 years
Expected volatility	**50.00%**	50.00%
Expected dividend per share	**$Nil**	$Nil

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

11. Share capital and reserves (continued)

(b) Share Purchase Warrants (continued)

A summary of the outstanding warrants in 2019 and 2018 is as follows:

	2019		2018	
	Number of warrants Number	**Weighted average exercise price $**	Number of warrants Number	Weighted average exercise price $
Balance, beginning of year	**64,141,834**	**0.31**	35,141,834	0.41
Warrants granted	**164,649,677**	**0.15**	29,000,000	0.23
Balance, end of year	**228,791,511**	**0.18**	64,141,834	0.31

(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 12), as well as share purchase warrants. Transfers from the equity reserve to share capital are made whenever common share options or share purchase warrants are exercised or expired and when RSUs fully vest and convert to common shares.

During the year ended December 31, 2018, a transfer amounting to $0.304 million was made from the equity reserve to accumulated losses reflecting previous share options which have lapsed and unexercised.

(ii) Convertible Loan Reserve

The convertible loan reserve comprises the equity component of the CCI convertible loan, signed on May 20, 2016 (see Note 13(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.

12. Share-based payment arrangements

(a) Description of share-based payment arrangements

At December 31, 2019, 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.

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

12. Share-based payment arrangements (continued)

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

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

During the year ended December 31, 2019, 5.4 million share options granted to directors and executive officers with an average exercise price at $0.34 and average remaining contractual life of 1.9 years were replaced with fully vested 2.7 million share options with an exercise price at $0.08 and contractual life of 5 years. Additionally, 125,000 share options with an exercise price at $0.08 and contractual life of 5 years, vested during the following 3 years, were granted to director as compensation for his engagement as a Chairman of the Company's board of directors. Further 150,000 share options expired with exercise price of $0.41 per common share.

During the year ended December 31, 2018, 1,750,000 share options, with an exercise price at $0.30 per common share and contractual life of 3 years, were granted to an executive director who left the Group, as part of his settlement agreement, whereby 1,150,000 share options with an exercise price ranging from $0.25 to $0.43 per common share and weighted average contractual life of 2.49 years, 1,483,600 DPUs and 2,029,442 RSUs were closed as result of that transaction. Further 1,856,803 share options expired with exercise price ranging from $0.18 to $0.58 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, 2019	Vesting conditions	Contractual life of options
Options granted to Directors and Officers			
On August 25, 2015	**400,000**	Fully vested	5 years
On May 22, 2019	**2,700,000**	Fully vested	5 years
On May 22, 2019	**125,000**	1/3 on May 22, 2020, 2021 and 2022	5 years
Options granted to Consultants and Former Directors and Officers			
On January 22, 2015	**950,000**	Fully vested	5 years
On July 11, 2016	**600,000**	Fully vested	5 years
On July 5, 2017	**500,000**	Fully vested	3 years
On October 23, 2017	**350,000**	Fully vested	5 years
On May 1, 2018	**1,750,000**	Fully vested	3 years
Total share options	**7,375,000**		

(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.

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

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

During the year ended December 31, 2019, 537,765 fully vested RSUs were granted to director who left the Company as replacement of 537,765 DPUs at value of $0.045 million, and these RSUs were converted into 537,765 common shares (see Note 11(a)).

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

12. Share-based payment arrangements (continued)

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

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

During the year ended December 31, 2018, following transactions were put in place:

- Fully vested 1,361,917 RSUs were granted to a director who left the Company as replacement of 1,361,917 DPUs, and these RSUs were converted into 1,361,917 common shares;
- 565,000 RSUs were granted to a consultant, vested in full during 2018, and converted into 565,000 common shares;
- 515,000 RSUs were granted to a key management personnel as compensation for agreed reduced cash compensation, fully vested at December 31, 2018;
- 2,971,362 RSUs were cancelled resulting of ceased employment of a director (2,029,442 RSUs) and a key management personnel (941,920 RSUs).

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, 2019	Vesting conditions
RSUs granted to Executive Directors and Officers		
On March 11, 2013 - Bonus 2012	**99,682**	Fully vested
On March 11, 2013 - LTIP 2013 grant	**342,842**	Fully vested, provided that the Company's share price performance has kept in line with the GDXJ over each respective calendar year.
On January 9, 2014 - GDXJ outperformance in 2013	**12,571**	Fully vested
On May 1, 2014 - LTIP 2014 grant	**260,000**	Fully vested, provided that the Company's share price performance has kept in line with the GDXJ over each respective calendar year.
On January 5, 2016 - GDXJ outperformance in 2015	**173,620**	Fully vested
On November 24, 2017 - converted from DPUs	**2,574,002**	Fully vested
On May 16, 2018 - as part of compensation to key management personnel	**515,000**	Fully vested
Total RSUs	**3,977,717**	

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, 2019 to postpone the vesting of their RSUs to at least December 31, 2020. 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.

(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 GDXJ to be a relevant benchmark to assess the Company's share price performance. To the extent that the Company's share price outperforms the GDXJ additional DPUs will be granted to executive directors and officers. However, no additional DPUs were granted for the years ended December 31, 2019 and 2018 under this set benchmark, as presented in the table below.

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 done by issuing RSUs instead of cash payment.

During the year ended December 31, 2019, the Company's board of directors has approved the conversion of 537,765 DPUs, issued to director who left the Company, into 537,765 RSUs, while for other director who left the Company 1,811.456 DPUs were settled in cash of $0.072 million.

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

12. Share-based payment arrangements (continued)

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

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

During the year ended December 31, 2018, the Company's board of directors has approved the cancellation of 3,542,717 DPUs, out of which 185,573 DPUs granted during 2018. These 3,542,717 DPUs were issued to two directors and key management personnel that ceased their engagement in the Group, of which 1,361,917 DPUs were converted into 1,361,917 RSUs.

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, 2019	Vesting conditions
DPUs granted to Directors		
From March 11, 2013 to December 31, 2018	**4,566,533**	Fully vested
During 2019	**4,800,328**	Fully vested
DPUs granted to Executive Directors and Officers		
On May 1, 2014 - Bonus 2013	**820,260**	Fully vested
On May 1, 2014 - LTIP 2014 grant	**378,932**	Fully vested
On January 5, 2016 - GDXJ outperformance in 2015	**850,446**	Fully vested
On July 11, 2016 - Bonus 2015	**509,600**	Fully vested
On January 6, 2017 - GDXJ outperformance in 2016	**14,764**	Fully vested
Total DPUs	**11,940,863**	

(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 are presented below:

All amounts are weighted averages	**Year ended December 31, 2019**	Year ended December 31, 2018
Fair value at grant date	$0.04	$0.04
Share price at grant date	$0.08	$0.19
Exercise price	$0.08	$0.30
Expected volatility	50.00%	50.00%
Expected life	5 years	3 years
Expected dividend per share	$Nil	$Nil
Risk-free interest rate (based on Canadian government bonds)	1.62%	2.03%

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, 2019, 5.4 million share options granted to directors and executive officers were replaced with fully vested 2.7 million share options (see Note 12(a)(i)), so no additional fair value assessment was done to these fully vested 2.7 million shares.

The total fair value of 1.75 million share options, granted during the year ended December 31, 2018, assessed by using Black-Scholes option pricing model was set at $0.071 million, which was lower than the total fair value of $0.979 million for converted 1,483,600 DPUs ($0.282 million), 2,029,442 RSUs ($0.510 million) and 1,150,000 share options (amortised fair value of $0.187 million, at the moment of cancellation), and accordingly no further expense need to be recognised for the grant of these 1.75 million share options.

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

12. 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 2018 (2019: no grants of RSUs), no GDXJ market performance vesting conditions were attached.

(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, 2019 and 2018 were as follows:

	2019		2018	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at January 1	**10,100,000**	**$0.34**	11,356,803	$0.44
Granted during the year	**2,825,000**	**$0.08**	1,750,000	$0.30
Expired/replaced during the year	**(5,550,000)**	**$0.34**	(3,006,803)	$0.45
Outstanding at December 31	**7,375,000**	**$0.24**	10,100,000	$0.34
Exercisable at December 31	**7,250,000**	**$0.24**	5,950,000	$0.30

The options outstanding at December 31, 2019 have an exercise price in the range of $0.08 to $0.49 (2018: $0.25 to $0.49) and a weighted-average contractual life of 2.59 years (2018: 2.15 years).

No share options were exercised in 2019 and 2018.

(ii) Restricted Share Unit Plan

The number and weighted-average grant prices of the RSUs as at December 31, 2019 and 2018 were as follows:

	2019		2018	
	Number of RSUs	**Weighted average grant price**	Number of RSUs	Weighted average grant price
Outstanding at January 1	**3,977,717**	**$0.26**	6,434,079	$0.26
Granted during the year	**537,765**	**$0.085**	2,441,917	$0.22
Expired during the year	**-**	**-**	(2,971,362)	$0.26
Exercised during the year	**(537,765)**	**$0.085**	(1,926,917)	$0.22
Outstanding at December 31	**3,977,717**	**$0.26**	3,977,717	$0.26
Exercisable at December 31	**3,977,717**	**$0.26**	3,977,717	$0.26

12. 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, 2019 was $0.054 million (2018: $0.519 million).

The total cash-settled share-based payment recovery in the year ended December 31, 2019 was $0.102 million (2018: $1.232 million) and as at December 31, 2019, the share-based payment liability was $0.358 million (2018: $0.577 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 $0.036 million in the Group's loss for the year (2018: $0.058 million).

13. Loans and borrowings

	December 31, 2019	December 31, 2018
	$000s	$000s
EBRD convertible loan	**11,687**	11,077
CCI convertible loan	**8,223**	8,507
	19,910	19,584

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

				December 31, 2019		December 31, 2018	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
				$000s	**$000s**	$000s	$000s
EBRD convertible loan	US$	7.00%	2021	**6,534**	**11,687**	6,822	11,077
CCI convertible loan	$	7.00%	2021	**5,200**	**8,223**	5,200	8,507
				11,734	**19,910**	12,022	19,584

EBRD convertible loan

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US$5 million ($6.534 million) (the "Principal Amount"), amended on April 12, 2018 (the "2018 Amendments of the EBRD convertible loan") and in March 2019 (the "2019 Amendments of the EBRD convertible loan").

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

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

- the Principal Amount,
- an amount of US$1.420 million ($1.856 million) (the "Redemption Amount"),
- a finance delay fee of US$0.150 million ($0.196 million) (the "Fee"),
- a finance delay interest (the "Interest") accrued from January 1, 2017 until April 30, 2018 on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum, compounded quarterly, and
- a finance interest (the "Interest on Extension") accrued from May 1, 2018 to its maturity on collectively the Principle Amount, the Redemption Amount, the Fee and the Interest at April 30, 2018 at a rate of 20% per annum applied from May 1, 2018 to March 31, 2019 and 7% per annum from April 1, 2019 to its maturity, compounded annually.

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

13. 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") and in March 2019 (the "2019 Amendments of the CCI convertible loan").

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

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

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

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	**2019**	**2018**
	$000s	$000s
Carrying amount at January 1	**11,077**	8,107
Adjustments recorded during the year:		
Accrued interest	**1,099**	1,763
Fair value adjustment	**(5)**	380
Foreign exchange movements	**(484)**	827
Carrying amount at December 31	**11,687**	11,077

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.

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

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

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

The fair value of the EBRD convertible loan at December 31, 2019 was assessed at $11.687 million (US$8.945 million) (2018: $11.077 million or US$8.125 million), representing a decrease of the financial liability (2018: increase) due to fair value adjustment, whereby fair value gain of $0.005 million was recognised in profit or loss (2018: fair value loss of $0.380 million). A decrease of discounting rate by 10%, used for calculation of discounted cash flow as part of the internally prepared model, would result in increase of approximately $0.090 million in the Group's loss and the fair value of the EBRD convertible loan. In comparison, a 10% increase would result in decrease of approximately $0.088 million in the Group's loss and the fair value of the EBRD convertible loan.

13. Loans and borrowings (continued)

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

CCI convertible loan

CCI convertible loan	2019	2018
	$000s	$000s
Carrying amount at January 1	**8,507**	5,776
Adjustments recorded during the year:		
Amount classified as equity element	**(1,733)**	-
Accrued interest	**1,449**	1,078
Fair value loss on modification	**-**	1,568
Amortisation of transaction costs	**-**	85
Carrying amount at December 31	**8,223**	8,507

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

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

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

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

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

14. Gold purchase advance payments

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

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

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

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

14. Gold purchase advance payments (continued)

The following is a summary of the changes in the GPSA advance payments as at December 31, 2019 and 2018:

	2019	2018
	$000s	$000s
Balance on January 1	**15,338**	14,119
Adjustments recorded during the year:		
Foreign exchange movements	**(639)**	1,219
Balance on December 31	**14,699**	15,338

15. Related party transactions

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

Transactions with key management personnel

(a) Key management personnel transactions

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

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

	Years ended December 31,	
	2019	2018
	$000s	$000s
Project management fees	**76**	122
	76	122

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

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended December 31, 2019 and 2018 was as follows:

		Years ended December 31,	
	Note	**2019**	2018
		$000s	$000s
Short-term employee benefits		**1,040**	931
Post-employment benefits	(i)	**49**	56
Redundancy payments	(ii)	**-**	103
Share-based recoveries	(iii)	**(62)**	(917)
		1,027	173

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

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

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

15. Related party transactions (contintied)

Transactions with key management personnel (continued)

(c) Working capital loan

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

	2019	2018
	$000s	$000s
Balance on January 1	**349**	617
Repayment of working capital loan	**(346)**	(290)
Foreign exchange movements	**(3)**	22
Balance on December 31	-	349

16. 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 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.

16. 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:

		Contractual cash flows			
December 31, 2019	**Carrying amount**	**3 months or less**	**3-12 months**	**1-2 years**	**2-3 years**
	$000s	**$000s**	**$000s**	**$000s**	**$000s**
Trade and other payables	**623**	**623**	**-**	**-**	**-**
Gold purchase advance payments	**14,699**	**14,699**	**-**	**-**	**-**
Working capital loan	**-**	**-**	**-**	**-**	**-**
Lease liability *	**200**	**18**	**53**	**67**	**62**
Loans and borrowings	**19,910**	**-**	**-**	**22,818**	**-**
	35,432	**15,340**	**53**	**22,885**	**62**

		Contractual cash flows			
December 31, 2018	**Carrying amount**	**3 months or less**	**3-12 months**	**1-2 years**	**2-3 years**
	$000s	$000s	$000s	$000s	$000s
Trade and other payables	634	634	-	-	-
Gold purchase advance payments	15,338	15,338	-	-	-
Working capital loan	349	-	349	-	-
Loans and borrowings	19,584	-	20,675	-	-
	35,905	15,972	21,024	-	-

* The Group initially applied IFRS 16 Leases, from January 1, 2019, by using the modified retrospective approach, under which the cumulative effect of initial application is recognised in Accumulated losses at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported under IAS 17 Leases and its related interpretations. See Note 3.

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 13), while contractual cash payments at maturity date (i.e. February 28, 2021, extended from May 10, 2019 as per the 2019 Amendments of the EBRD convertible loan, following the May 2019 Private Placement (see Note 13(a) for further details)) for both convertible loans are $12.647 million (2018: $11.687 million) and $10.171 million (2018: $8.988 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 16(b)(ii)). However, related contractual cash payments may not occur if either convertible loan is converted into the Company's common shares (see Note 13(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 19).

16. Financial instruments (continued)

(b) Financial risk management (continued)

(ii) Foreign Currency risk (continued)

The summary of the Group's exposure to currency risk as at December 31, 2019 and 2018 is as follows:

	U.S. Dollar	**British Pound**	**Macedonian Denar**	**Euros**	**Total**
2019	$000s	$000s	$000s		$000s
Financial assets	**4,592**	**1,573**	**207**	**649**	**7,021**
Loans and borrowings	**(11,687)**	**-**	**-**	**-**	**(11,687)**
Lease liability *	**-**	**-**	**(200)**	**-**	**(200)**
Gold purchase advance payments	**(14,699)**	**-**	**-**	**-**	**(14,699)**
Other financial liabilities	**(113)**	**(241)**	**(93)**	**(89)**	**(536)**
Net financial assets / liabilities	**(21,907)**	**1,332**	**(86)**	**560**	**(20,101)**
2018					
Financial assets	727	204	58	120	1,109
Loans and borrowings	(11,077)	-	-	-	(11,077)
Gold purchase advance payments	(15,338)	-	-	-	(15,338)
Other financial liabilities	(241)	(479)	(151)	(95)	(966)
Net financial assets / liabilities	(25,929)	(275)	(93)	25	(26,272)

* The Group initially applied IFRS 16 Leases, from January 1, 2019, by using the modified retrospective approach, under which the cumulative effect of initial application is recognised in Accumulated losses at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported under IAS 17 Leases and its related interpretations. See Note 3.

Based on the above foreign currency exposures as at December 31, 2019 and assuming that all other variables remain constant, a 10% depreciation/appreciation of the Canadian Dollar would result in an increase/decrease of approximately $2.010 million in the Group's loss for the year (2018: $2.627 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 14) and the EBRD convertible loan (see Note 13).

(iii) Interest rate risk

At December 31, 2019, fixed interest rate is applied for both convertible loans and therefore a change in interest rates at reporting date would not affect 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.

(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**
	2019 $000s	2018 $000s				
EBRD convertible loan	**11,687**	11,077	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, 2019, the fair value was determined by only one developed scenario (2018: one scenarios modelled).

16. Financial instruments (continued)

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

(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, 2019		December 31, 2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$000s	**$000s**	$000s	$000s
Financial liability measured at amortised cost				
Loans and borrowings - CCI convertible loan	**8,223**	**8,440**	8,507	8,184

17. Income taxes

(a) Amounts recognised in the income statement:

	Year ended December 31,	
	2019	2018
Recognised in the consolidated statement of profit or loss	**$000s**	$000s
Current tax expense	**-**	7
Deferred tax expense	**-**	-
Income tax expense on continuing operations	**-**	7
Analysis of charge in year		
(Loss)/profit from continuing operations before tax	**(5,819)**	(9,244)
Canadian statutory tax rate	**27.00%**	27.00%
Expected income tax credit	**(1,571)**	(2,496)
Changes attributable to:		
Non-taxable income/Non-deductible expenses	**(74)**	1,171
Difference in tax rates between Canada and foreign jurisdictions	**291**	352
Tax effect of tax losses and temporary differences not recognised	**1,354**	974
Tax adjustments related to previous years	**-**	6
Income tax expense on continuing operations	**-**	7

(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:

		2019	
	Tax losses - revenue	**Other temporary differences**	**Total**
Expiry date	**$000s**	**$000s**	**$000s**
Within one year	**-**	**327**	**327**
Greater than one year, up to five years	**2,795**	**317**	**3,112**
Greater than five years	**37,448**	**-**	**37,448**
	40,243	**644**	**40,887**

		2018	
	Tax losses - revenue	**Other temporary differences**	**Total**
Expiry date	$000s	$000s	$000s
Within one year	-	232	232
Greater than one year, up to five years	2,635	343	2,978
Greater than five years	32,567	989	33,556
	35,202	1,564	36,766

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, 2019 and 2018.

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

18. 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, 2019.

19. List of subsidiaries

Set out below is a list of material subsidiaries of the Group as at December 31, 2019 and 2018.

Subsidiaries	Principal place of business	Functional currency	Ownership	
			2019	2018
			%	%
OMAX International Limited	Cayman Islands	Euros	**100**	100
Euromax Resources (Macedonia) Ltd	Canada	Canadian Dollars	**100**	100
Euromax Resources (Macedonia) UK Limited	United Kingdom	Euros	**100**	100
Euromax Resources UK (Services) Limited	United Kingdom	British Pounds	**100**	100
Euromax Resources (Bulgaria) UK Limited	United Kingdom	Euros	**100**	100
Euromax Resources DOO Skopje	Republic of North Macedonia	Macedonian Denars	**100**	100

20. Subsequent events

Subsequent to December 31, 2019 following reportable events have occurred:

- On January 8, 2020, Euromax filed a lawsuit to the Administrative Court in the Republic of North Macedonia against the decision for termination of Exploitation Concession for Ilovica 6.
- The outbreak of the novel coronavirus (COVID-19), which is not expecting to have immediate impact on the Group’s operations, but it would be closely motored by the Group.