

Euromax Announces Updated Terms of Private Placement Financing

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VANCOUVER, March 22, 2019 /CNW/ - [Euromax Resources Ltd.](#), (TSX: EOX): [Euromax Resources Ltd.](#) (Euromax or the Company) announces that the terms of the private placement financing to one of its current major shareholders, Galena Resource Equities Limited (Galena), an entity controlled and managed by Galena Asset Management S.A., which is an affiliate of Trafigura Pte Ltd. (Trafigura), for gross proceeds of CAD\$9,188,040 (USD\$6,900,000) previously disclosed on February 12, 2019 (the Private Placement) have been revised as a result of further negotiations.

As was previously announced, in connection with the Private Placement, Euromax has agreed with the holders of its convertible debentures, the European Bank for Reconstruction and Development (EBRD) and CC Ilovitza Limited (CCC), an affiliate of Consolidated Contractors Company Group, to further amend the terms such debentures (the Debentures).

The Private Placement is now comprised of 147,008,640 units (the Units), each consisting of one common share in the capital of the Company (each, a Common Share) and one Common Share purchase warrant (each, a Warrant), at an offering price of CAD\$0.0625 per Unit for gross proceeds of approximately CAD\$9,188,040 (USD\$6,900,000), based on a Canadian Dollar against United States Dollar exchange rate of 1.3316 (the Updated Private Placement).

Each Warrant entitles the holder thereof to acquire one Common Share of the Company at an exercise price of CAD\$0.15 for a period of two years following the closing of the Updated Private Placement. The proceeds of the Updated Private Placement will be used for the development of the Company's Ilovica-Shtuka Copper-Gold Project (Ilovica-Shtuka or the Project) and for general corporate purposes.

Further, two other existing shareholders of Euromax will participate in a concurrent financing (the Updated Concurrent Offering and, together with the Updated Private Placement, the Transaction), on the same terms as the Updated Private Placement, of up to 17,641,037 Units at an offering price of CAD\$0.0625 per Unit for gross proceeds of CAD\$1,102,565 (USD\$828,000), based on a Canadian Dollar against United States Dollar exchange rate of 1.3316, so as to provide additional funding for the Company. No insiders of the Company are participating in the Updated Concurrent Offering other than Martyn Konig, a director of the Company. Mr. Konig has committed to participating in the Updated Concurrent Offering in an amount up to USD\$328,000 representing 6,988,237 Units.

It is anticipated that the Company will require additional financing in the first half of 2020 or will need to reduce expenditures.

In connection with the closing of the Updated Private Placement, the Company and Galena will amend their existing ancillary rights agreement dated April 10, 2018 (the Ancillary Rights Agreement) to provide Galena with the right to nominate two additional directors of the Company's board of directors (the Board) (for four directors in total) until such time as Galena (collectively with its affiliates) no longer holds greater than 20% of the Company's issued and outstanding Common Shares (calculated on a fully diluted basis). If Galena (collectively with its affiliates) holds between 10% and 20% of the Company's issued and outstanding Common Shares (calculated on a fully diluted basis), Galena can only nominate two directors to the Board. The Ancillary Rights Agreement provides that the Board shall consist of eight directors should Galena hold greater than 10% and less than 55% of the Company's issued and outstanding Common Shares (calculated on a fully diluted basis). In the event that Galena (collectively with its affiliates) holds greater than 55% of the Company's issued and outstanding Common Shares (calculated on a fully diluted basis), Galena will have the right to nominate an additional director to the Board (for five directors in total), increasing the total number of Board members to nine. The Company will also amend the offtake agreement executed on April 6, 2018 with Trafigura on closing of the Updated Private Placement such that Trafigura will have 100% ownership of the sale of copper concentrate produced at Ilovica-Shtuka.

In addition, in connection with the Updated Private Placement, Galena shall be provided with a right of first refusal to participate in any proposed equity-linked financing in an amount up to 60% of such financing subject only to participation rights held by the EBRD and CCC.

A condition to closing the Updated Private Placement is that the Company obtain agreements from each of EBRD and CCC, amongst other things to: (i) extend the maturity date of the Debentures from March 22, 2019 to February 28, 2021, (ii) revise the conversion price in respect of the principal, accrued interest, and applicable fees owing under the Debentures to CAD\$0.15 per Common Share, (iii) reduce the interest rate owing under the Debentures from 20% to 7% per annum (compounding annually) effective March 31, 2019, and (iv) waive any pre-emptive or participation rights EBRD and CCC may have with respect to the Updated Private Placement (collectively, the Updated Debenture Amendments).

The Company has entered into definitive documentation with each of EBRD and CCC in respect of the Updated Debenture Amendments, which reflects that the Updated Debenture Amendments will not become effective until completion of the Updated Private Placement and satisfaction of additional conditions precedent as set out in the definitive documentation. Pending such completion, each of EBRD and CCC has agreed to extend the maturity date of their respective Debentures from March 22, 2019 until May 10, 2019, with all other terms of the Debentures remaining unchanged.

Closing of the Transaction, including implementation of the Updated Debenture Amendments, is subject to the satisfaction of various conditions, including the waiver of certain rights held by existing shareholders of the Company and the receipt of all necessary corporate and regulatory approvals, including approval of the Macedonian Commission for Competition (the Macedonia Competition Approval) and the final approval of the Toronto Stock Exchange (the TSX).

The Transaction triggers the requirement for approval from the holders of a majority of the currently issued and outstanding Common Shares, excluding the votes attached to the Common Shares held by Galena and EBRD, under Sections 607(g)(i), 607(g)(ii), 604(a)(i) and 604(a)(ii) of the TSX Company Manual, unless an exemption is applicable, as the Transaction will: (i) result in the issuance of Common Shares that is greater than 25% of the number of Common Shares currently issued and outstanding, (ii) result in the issuance of Common Shares to insiders of the Company that is greater than 10% of the number of Common Shares currently issued and outstanding, (iii) provide for the issuance of securities that could materially affect the control of the Company as the Transaction would result in a new holding of more than 20% of the voting securities by one security holder, and (iv) provide for consideration to an insider that is greater than 10% of the current market capitalization of the Company.

The Company is in serious financial difficulty and will not be able to repay the Debentures, which mature at March 22, 2019. The Company, as a result of permitting delays for the Project over the last 24 months, has been unable to secure sufficient third party financing to repay these convertibles or to finance working capital and particularly in the current difficult market conditions. Given the situation, the Company has immediate capital needs and cannot fund its current obligations necessary in order to comply with the terms of the Debentures and continue permitting work on the Project.

In light of the Company's financial condition, Galena has agreed to issue an unsecured promissory note in the amount of up to USD\$1,000,000 (the Promissory Note) to the Company in order to provide it with the interim working capital required to fund its operations until such time as the conditions of closing the Updated Private Placement have been satisfied. Upon completion of the Updated Private Placement, funds owing pursuant to the Promissory Note will be set-off against the proceeds of the Updated Private Placement. The initial portion of the funds issuable pursuant to the Promissory Note are expected to be received by the Company on Monday, March 25, 2019.

Pursuant to Section 604(e) of the TSX Company Manual, the Company has applied for and conditionally received an exemption from the shareholder approval requirements of the TSX, as described above, on the basis of financial hardship, given that the Company is in serious financial difficulty with limited alternatives and the immediacy of the Company's need to address its financial obligations through the Transaction does not afford it sufficient time to hold a special shareholders' meeting. As a consequence of its financial hardship application, the TSX has placed Euromax under remedial delisting review, which is normal practice when a listed issuer seeks to rely on the Section 604(e) financial hardship exemption. No assurance can be provided as to the outcome of such review and therefore, continued qualification for listing on the TSX.

As each of Galena, EBRD and Mr. Konig are insiders of the Company, the Updated Private Placement and the Promissory Note (as they relate to Galena), the Updated Concurrent Offering (as it relates to Mr. Konig) and the Updated Debenture Amendments (as they relate to EBRD) constitute related party transactions under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Investments (MI 61-101). The Company is relying on the exemption from the formal valuation requirement in Section 5.5(g) of MI 61-101 and the exemption from the minority approval requirement in Section 5.7(1)(e) of MI 61-101 based on the Board, acting in good faith, having determined, and at least two-thirds of the Company's independent directors, acting in good faith, having determined, that the Company is in serious financial difficulty with limited alternatives, that the Updated Private Placement, Updated Concurrent Offering and Updated Debenture Amendments are designed to improve the Company's financial position, that the terms of the Updated Private Placement, Updated Concurrent Offering and Updated Debenture Amendments are reasonable in the Company's circumstances, that the immediacy of the Company's need for financing through the Updated Private Placement, Updated Concurrent Offering and Updated Debenture Amendments does not afford it sufficient time to hold a shareholders' meeting, and that the Updated Private Placement, Updated Concurrent Offering and Updated Debenture Amendments are fair to, and in the best interests of, the shareholders of the Company. The Company anticipates it will file a material change report less than 21 days before the closing of the Transaction. This shorter period is reasonable and necessary in the circumstances as the Company wants to complete the Updated Private Placement, Updated Concurrent Offering and Updated Debenture Amendments as expeditiously as possible given the immediacy of the Company's need for financing.

Closing of the Transaction and the implementation of the Updated Debenture Amendments will occur on or after March 29, 2019, pursuant to the rules of the TSX, subject to receipt of the Macedonia Competition Approval. The Company will apply for the Macedonia Competition Approval as soon as is reasonably practicable following the date hereof and such approval is expected to be received no later than June 30, 2019.

The only entity or person who is expected (to the knowledge of the Company) to own or exercise control and direction over more than 10% of the issued and outstanding Common Shares upon completion of the Transaction, is Galena, which is currently expected to then exercise control and direction over approximately 53.11% of the outstanding Common Shares, on a non-diluted basis and 50.47% on a fully diluted basis. The existing holdings of pre-Transaction Common Shares by current insiders, and their expected post-Transaction holdings (assuming, for illustrative purposes, that the Transaction occurs on March 22, 2019), are set forth below:

Investor	Number (%) of Common Shares and Warrants Held Before the Transaction ¹
Galena Resource Equities Limited / Trafigura Pte Ltd.	29,000,000 Common Shares (17.39%) and 29,000,000 existing w
Richard Griffiths/Blake Holdings Limited ³	23,562,799 Common Shares (14.13%) and 1,500,000 existing w
Martyn Konig	3,115,739 Common Shares (1.87%) and 206,713 existing warra
EBRD ^{3,4}	23,368,547 Common Shares (14.01%) and 5,915,000 existing w

Euromax currently has 166,742,080 issued and outstanding Common Shares. A maximum of 482,305,070 Common Shares are issuable pursuant to the Transaction (assuming full exercise of the Warrants) representing 289.25% of the Company's currently issued and outstanding Common Shares.

Pursuant to the Updated Private Placement, a maximum of 294,017,280 Common Shares (representing 176.33% of the Company's outstanding Common Shares on a pre-Transaction, non-diluted basis) would be issuable to Galena, an insider of the Company, assuming that Galena fully exercises its Warrants.

Pursuant to the Updated Concurrent Offering, a maximum of 13,976,474 Common Shares (representing

8.38% of the Company's outstanding Common Shares on a pre-Transaction, non-diluted basis) would be issuable to Mr. Konig, an insider of the Company, assuming that Mr. Konig fully exercises his Warrants.

Pursuant to the Updated Debenture Amendments (including conversion of the principal, interest and fees where applicable on the maturity date of February 28, 2021), a maximum of (i) 85,917,563 Common Shares (representing 51.5% of the Company's outstanding Common Shares on a pre-Transaction, non-diluted basis) would, if the Updated Debenture Amendments become effective, be issuable to EBRD, an insider of the Company, assuming that EBRD converts its Debentures into Common Shares and excluding the exercise of its existing warrants; (ii) 67,805,949 Common Shares (representing 40.7% of the Company's outstanding Common Shares on a pre-Transaction, non-diluted basis) would be issuable to CCC assuming that CCC converts its Debentures into Common Shares.

Assuming completion of the Transaction, Euromax will have 331,391,757 issued and outstanding Common Shares (on a non-diluted basis).

The securities issued pursuant to the Transaction will be subject to a four month hold period from the date of closing in accordance with applicable Canadian securities laws.

¹ Calculated on a non-diluted basis.

² Assumes that none of the other investors convert their respective Warrants.

³ Richard Griffiths and EBRD are not participating in the Revised Concurrent Offering.

⁴ Following completion of the Transaction, assuming that either EBRD or CCC converts their respective Debentures and exercise their existing Warrants, on a partially-diluted basis: (i) EBRD would own 34.14% of the issued and outstanding Common Shares, and (ii) CCC would own 20.46% of the issued and outstanding Common Shares.

About Euromax Resources Ltd.

Euromax is a minerals development company whose corporate strategy is centered on the development of the Ilovica-Shtuka Project, the company's core copper and gold development project located in North Macedonia. Euromax, through its local subsidiaries, has been involved in the exploration and development of a number projects in south-eastern Europe since January 2011.

About Galena Resource Equities Limited

Galena Resource Equities Limited is controlled and managed by Galena Asset Management S.A. and its principal business is to investment in equity and debt in late stage small and mid-sized companies in development or expansion phase across the natural resources and mining sector. Economic interests in Galena Resource Equities Limited are divided between the Trafigura Group and a Bulgarian entity which is solely owned by Tzolo Voutov and related to Geotechmin Group. Tzolo Voutov is a member of the Board of Directors of the Company and a major indirect shareholder of Geotechmin OOD.

About Galena Asset Management S.A.

Galena Asset Management S.A. (Galena Asset Management) is the wholly-owned investment arm of the Trafigura Group, a world leading commodity trading firm, and is authorized and regulated by the Swiss Financial Market Supervisory Authority (FINMA). For more than a decade Galena Asset Management has operated at the intersection of financial and physical commodity markets, enabling leading institutional investors to access investment opportunities alongside the Trafigura Group through funds or managed accounts. Galena Asset Management's portfolio management specialists have built considerable experience in metals, minerals, oil, shipping and infrastructure. Galena Asset Management acts independently, but derives significant benefits from its relationship with Trafigura, its principal anchor investor.

Galena Asset Management has unparalleled access to the commercial and technical expertise of the

Trafigura Group in the non-ferrous and ferrous space. The investment professionals have the ability to leverage Trafigura's global presence with 66 offices in 38 countries and rely on the Trafigura Group's solid reputation. The fund invests globally and usually intervenes actively in the strategic direction of companies invested in. Trafigura is a limited partner in the fund. Visit: www.galena-invest.com

Forward-Looking Information

This news release contains forward-looking information. Forward-looking statements include, but are not limited to the completion of the Transaction, the use of proceeds from the Transaction, implementation of the Debenture Amendments, the continued advancement of the Company's general business plan and the development of Ilovica-Shtuka, and the receipt of all necessary government approvals and consents. When used in this press release, the words "will", "shall", "anticipate", "believe", "estimate", "expect", "intent", "may", "project", "plan", "should" and similar expressions may identify forward-looking statements. Although Euromax believes that their expectations reflected in these forward looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include, but are not limited to, the possibility that the Transaction will not be completed as contemplated, or at all, because the necessary regulatory approvals, including the Macedonian Competition Approval, are not received or other conditions to completion of the Transaction are not satisfied, the possibility that the Company has to allocate proceeds to other uses or reallocate proceeds differently among the anticipated uses due to changes in project parameters or other unforeseen circumstances associated generally with the unpredictability of mining operations, the ability of the Company to come to definitive agreements with the holders of debentures with respect to the implementation of the Debenture Amendments, the ability to implement corporate strategies, the ability to obtain financing as and when required and on reasonable terms, the risk that the development of the Project may not proceed as anticipated, including the inability to obtain necessary government approvals for its activities in a timely manner, political or economic instability in the jurisdiction in which the Project is located, changes in national and local government legislation, regulation, and taxation, and other risks disclosed in our filings made with Canadian securities regulators available on SEDAR at www.sedar.com. This list is not exhaustive of the factors that may affect any of Euromax's forward-looking statements. Investors are cautioned not to put undue reliance on forward-looking statements. Forward-looking statements contained herein are made as of the date of this news release and Euromax disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws.

SOURCE Euromax Resources

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