Euromax
RESOURCES

UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2017 and 2016

Expressed in Canadian dollars

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Euromax Resources Ltd.

Condensed consolidated interim statements of profit or loss and comprehensive income or loss - unaudited

(Expressed in Canadian dollars)

	Note	Three months ended March 31, 2017 $000s	2016 $000s
Revenue	**6**	**213**	96
Direct costs	**6**	**(147)**	(80)
Gross profit		**66**	16
Operating expenses			
Accounting, legal and professional		**(167)**	(284)
Depreciation		**(49)**	(52)
Amortisation		**(2)**	(3)
Office and general		**(111)**	(120)
Regulatory, filing and transfer agent		**(48)**	(14)
Rent		**(85)**	(90)
Salaries, director and consultant fees		**(576)**	(535)
Share-based payments recovery/(expense)		**2,227**	(2,284)
Investor and public relations		**(74)**	(56)
Travel		**(82)**	(121)
Exploration and evaluation costs		**(3)**	(5)
Gain on foreign exchange		**352**	627
Operating profit/(loss)		**1,448**	(2,921)
Finance income		**-**	13
Finance expense		**(662)**	(5)
Fair value gain on financial liabilities	**9 (b)**	**2,826**	-
Net finance income		**2,164**	8
Other items			
Other income		**7**	-
Profit/(loss) before tax		**3,619**	(2,913)
Income tax expense		**(2)**	(13)
Profit/(loss) for the period		**3,617**	(2,926)
Profit/(loss) attributable to:			
Owners of the Company		**3,617**	(2,923)
Non-controlling interest		**-**	(3)
		3,617	(2,926)
Other comprehensive income/(loss), net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Cumulative translation adjustment on foreign subsidiaries		**142**	(531)
Total other comprehensive income/(loss), net of tax		**142**	(531)
Total comprehensive income/(loss) for the period		**3,759**	(3,457)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**3,759**	(3,454)
Non-controlling interest		**-**	(3)
		3,759	(3,457)
Earnings/(loss) per common share			
Basic earnings/(loss) per common share	**5**	**0.03**	(0.03)
Diluted earnings/(loss) per common share	**5**	**0.01**	(0.03)
Weighted average number of common shares outstanding			
Basic weighted average number of common shares outstanding	**5**	**117,657,505**	116,842,737
Diluted weighted average number of common shares outstanding	**5**	**160,868,732**	116,842,737

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of financial position - unaudited

(Expressed in Canadian dollars)

	Note	As at March 31, 2017 $000s	December 31, 2016 $000s
ASSETS			
Current			
Cash and cash equivalents		**656**	1,063
Trade and other receivables		**223**	236
Other current assets		**198**	203
Total current assets		**1,077**	1,502
Non-current assets			
Contingent consideration		**483**	488
Property, plant and equipment		**416**	462
Intangible assets		**9**	10
Unproven mineral right interests	**7**	**35,419**	34,464
Total assets		**37,404**	36,926
LIABILITIES			
Current			
Trade and other payables		**2,081**	2,148
Share-based payment liabilities	**11 (c)**	**6,336**	8,659
Gold purchase advance payments	**10**	**14,990**	15,150
Total current liabilities		**23,407**	25,957
Non-current liabilities			
Loans and borrowings	**9**	**13,490**	15,738
Total liabilities		**36,897**	41,695
EQUITY			
Share capital	**8**	**67,396**	65,975
Equity reserve		**9,982**	9,886
Convertible loan reserve		**762**	762
Currency translation reserve		**2,981**	2,839
Accumulated losses		**(80,614)**	(84,231)
Equity/(deficit) attributable to owners of the Company		**507**	(4,769)
Total liabilities and equity		**37,404**	36,926

Nature of operations	**1**
Subsequent events	**14**

Approved on behalf of the Board of Directors

"Steve Sharpe"
Steve Sharpe, Director

"Tim Morgan-Wynne"
Tim Morgan-Wynne, Director

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of changes in equity - unaudited

(Expressed in Canadian dollars)

For the three months ended March 31, 2017 and 2016

	Note	Share capital Number of shares	Amount $000s	Equity reserve $000s	Convertible loan reserve $000s	Currency translation reserve $000s	Accumulated losses $000s	Total equity / (deficit) attributable to owners of the Company $000s	Non-controlling interest $000s	Total equity / (deficit) $000s
Balance on January 1, 2016		116,842,737	65,975	9,603	-	3,654	(65,713)	13,519	9	13,528
Equity-settled share-based payments		-	-	33	-	-	-	33	-	33
Comprehensive loss for the period		-	-	-	-	(531)	(2,923)	(3,454)	(3)	(3,457)
Balance on March 31, 2016		116,842,737	65,975	9,636	-	3,123	(68,636)	10,098	6	10,104
Balance on January 1, 2017		**116,842,737**	**65,975**	**9,886**	**762**	**2,839**	**(84,231)**	**(4,769)**	**-**	**(4,769)**
Common shares issued for:										
Financing, net of issue costs	**8**	**3,491,861**	**1,421**	**-**	**-**	**-**	**-**	**1,421**	**-**	**1,421**
Equity-settled share-based payments		**-**	**-**	**96**	**-**	**-**	**-**	**96**	**-**	**96**
Comprehensive loss for the period		**-**	**-**	**-**	**-**	**142**	**3,617**	**3,759**	**-**	**3,759**
Balance on March 31, 2017		**120,334,598**	**67,396**	**9,982**	**762**	**2,981**	**(80,614)**	**507**	**-**	**507**

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

		Three months ended March 31,	
		2017	2016
	Note	**$000s**	$000s
OPERATING ACTIVITIES			
Profit/(loss) before tax		**3,619**	(2,913)
Add back:			
Depreciation		**49**	52
Amortisation		**2**	3
Finance income		**-**	(13)
Finance expense		**662**	5
Share-based payments (recovery)/expense		**(2,227)**	2,284
Unrealised foreign exchange gain		**(339)**	(635)
Fair value gain on financial liabilities	**9 (b)**	**(2,826)**	-
Changes in non-cash working capital items:			
Decrease in trade and other receivables and prepayments and deposits		**18**	749
Increase/(decrease) in trade and other payables		**336**	(395)
Income tax paid		**(6)**	-
Cash used in operating activities		**(712)**	(863)
INVESTING ACTIVITIES			
Expenditures on unproven mineral right interests		**(1,074)**	(1,768)
Purchases of property, plant and equipment and intangible assets		**(4)**	(10)
Proceeds from restricted cash deposits		**-**	73
Interest received		**-**	13
Cash used in investing activities		**(1,078)**	(1,692)
FINANCING ACTIVITIES			
Proceeds from share issue	**8**	**1,430**	-
Share issue costs	**8**	**(9)**	-
Interest paid		**(5)**	(5)
Cash provided by/(used in) financing activities		**1,416**	(5)
Effect of exchange rate changes on cash		**(33)**	27
Net change in cash and cash equivalents		**(374)**	(2,560)
Cash and cash equivalents, beginning of the period		**1,063**	3,405
Cash and cash equivalents, end of the period		**656**	872

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of operations

Euromax Resources Ltd. ("Euromax" or "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 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5.

These condensed consolidated interim financial statements include the accounts of Euromax and of its wholly-owned subsidiaries (collectively, the "Group"). The Group operates with the objective of becoming the leading gold and base metal mining company in Europe. The Group operates in two sectors in the mining industry: 1) the exploration and development of mineral right interests; and, 2) the provision of exploration and evaluation services.

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

These condensed consolidated interim financial statements were authorised for issue by the Company's board of directors on May 15, 2017.

2. Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Group is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2016.

3. Going concern

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

At March 31, 2017, the Group had net assets of $0.5 million (December 31, 2016: net liabilities of $4.8 million) and a net working capital deficiency of $22.3 million (December 31, 2016: $24.5 million), including cash of $0.7 million (December 31, 2016: $1.1 million). The Group's $22.3 million working capital deficiency at March 31, 2017 largely results from the gold purchase advance payments received from Royal Gold, AG ("Royal Gold") and share-based payment liabilities owing to the Group's directors and officers in lieu of fees and bonus payments which are both classified as current liabilities as contractually repayment may be required within the next twelve months.

As at the date of these accounts, no termination or repayment notice has been received by the Group from Royal Gold or any of it directors or executives and therefore these amounts are not currently due and payable.

On March 14, 2017 the Group closed a non-brokered private placement of 3,325,582 common shares at a price of $0.43 to a consortium of investors raising gross proceeds of $1.430 million ("March 2017 Private Placement"). The Group also issued 166,279 common shares to a third party finder as a commission related to the March 2017 Private Placement.

3. Going concern (continued)

The Company's board of directors have reviewed the Group's forecasts for the period to June 30, 2018, including all projected costs of completing the Environmental and Social Impact Assessment for the Ilovica-Shtuka gold-copper project in Macedonia ("Ilovica-Shtuka Project"), obtaining all necessary permits for the Ilovica-Shtuka Project (including urbanisation and land acquisition activities), engineering work that will establish a guaranteed maximum price for the Ilovica-Shtuka Project's construction and completion of legal, technical and financial due diligence with potential project finance banks.

Based on these forecasts and notwithstanding the proceeds from the March 2017 Private Placement, the directors have identified that further funding will be required to reach a construction decision. Additionally the Group will be required to raise further debt and funding to ultimately construct and bring the Ilovica-Shtuka Project into commercial production.

Whilst the directors remain optimistic that the Group can raise additional debt or equity funding, this is not wholly within the Group's control. As such, this represents a material uncertainty which casts a significant doubt about the Group's continued ability to operate as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2016.

5. Earnings/(loss) per share

	Three months ended March 31,	
	2017	2016
	$000s	$000s
Net profit/(loss) for the period after tax attributable to owners of the Company	**3,617**	(2,923)
Basic weighted average number of common shares	**117,657,505**	116,842,737
Basic earnings/(loss) per share	**0.03**	(0.03)
Diluted net profit/(loss) for the period after tax attributable to owners of the Company	**1,029**	(2,923)
Diluted weighted average number of common shares	**160,868,732**	116,842,737
Diluted earnings/(loss) per share	**0.01**	(0.03)

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

		Three months ended March 31,	
		2017	2016
	Note		
Basic weighted average number of common shares		**117,657,505**	116,842,737
Effect of share options and warrants		**9,270,002**	-
Effect of conversion of convertible loans	**9**	**33,941,225**	-
Diluted weighted average number of common shares		**160,868,732**	116,842,737

For the quarter ended March 31, 2016, because there is a reduction in loss per share resulting from the assumption that share options and warrants are exercised, all those are considered as anti-dilutive and are ignored in the computation of loss per share.

6. Operating segments

The Group's primary business is the exploration and development of mineral right interests and its secondary business is the provision of exploration services to third party resource companies. The Group's board of directors (the Group's Chief Operating Decision Maker) has arranged the Group's operating segments by both type of business and by geographic region. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable segments are as follows:

Reportable segments	Operations	Geografic location
Macedonia	exploration and development of mineral right interests	Macedonia
Serbia	exploration and development of mineral right interests	Serbia
Exploration Services	exploration and evaluation services	Bulgaria
Corporate	corporate operations	Canada and UK

On September 29, 2016 the Group disposed of its Serbian reportable segment ("South Danube Metals d.o.o. Beograd" or "SDM") (See Note 7).

The following is an analysis of the Group's revenues, profit/(loss) before tax, assets and liabilities by operating segment and the Group's consolidated profit/(loss) before tax:

	Macedonia		Serbia		Exploration Services		Corporate		Total	
Three months ended *In thousands*	**March 31, 2017**	March 31, 2016	**March 31, 2017**	March 31, 2016	**March 31, 2017**	March 31, 2016	**March 31, 2017**	March 31, 2016	**March 31, 2017**	March 31, 2016
External revenues	**-**	-	**-**	-	**213**	96	**-**	-	**213**	96
Finance income	**-**	13	**-**	-	**-**	-	**-**	-	**-**	13
Finance expense	**(1)**	(1)	**-**	-	**(1)**	(1)	**(660)**	(3)	**(662)**	(5)
Depreciation	**(38)**	(41)	**-**	-	**(10)**	(8)	**(1)**	(3)	**(49)**	(52)
Amortisation	**(1)**	(1)	**-**	-	**(1)**	(2)	**-**	-	**(2)**	(3)
Segment profit/(loss) before tax	**(270)**	(220)	**-**	(52)	**(86)**	(179)	**3,975**	(2,462)	**3,619**	(2,913)

	Macedonia		Serbia		Exploration Services		Corporate		Total	
As at *In thousands*	**March 31, 2017**	December 31, 2016	**March 31, 2017**	December 31, 2016	**March 31, 2017**	December 31, 2016	**March 31, 2017**	December 31, 2016	**March 31, 2017**	December 31, 2016
Segment assets	**35,950**	35,002	**-**	-	**412**	1,047	**1,042**	877	**37,404**	36,926
Segment liabilities	**774**	786	**-**	-	**101**	91	**36,022**	40,818	**36,897**	41,695

All revenue from Exploration Services operating segment is derived from provision of exploration and evaluation services to third parties, and it is seasonally weighted to second, third and fourth quarters of each calendar year. The revenue was realised from one customer (2015: one customer).

All of the Group's direct costs are incurred within the Exploration Services operating segment and consist of permanent and temporary employee salaries and subcontractor costs.

7. Unproven 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 a Concession for exploitation of mineral resources ("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 ("MoEPP") has formally approved the Environmental Impact Assessment Study ("EIA") for Ilovica 6 under the Environmental Law in Macedonia.

The Group announced the Feasibility Study ("FS") for the Ilovica-Shtuka Project, prepared in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") on January 6, 2016.

On January 13, 2016 the Exploitation Concession on Ilovica 11 was granted to the Group 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.

On July 22, 2016, following the earlier submission of the EIA for Ilovica 11 and a Main Mining Project submission, an application for the Exploitation Permit for the Ilovica-Shtuka Project was submitted for approval.

During the quarter ended March 31, 2017, the Strategic Environmental Impact Assessment was approved by the MoEPP (required for the urbanisation process of the mine footprint); while the Ministry of Economy approved the merger of the Group's two exploitation concessions subject to Macedonian Government ratification. Additionally, an Environmental and Social Impact Assessment ("ESIA") produced under international standards was completed. The ESIA will facilitate project financing and meets the requirements of various project stakeholders.

Serbia

On September 29, 2016, following the exercise of its one year option a third party acquired the Group's remaining 96% interest in SDM which owned 100% of the Karavansalija Mineralised Centre ("KMC") project for US$0.500 million ($0.650 million).

A summary of changes to the Group's unproven mineral right interests in the quarter ended March 31, 2017 and 2016 is set out below.

	Macedonia *Ilovica*	**Serbia** *KMC*	**Total**
	$000s	$000s	$000s
Balance, January 1, 2016	27,901	673	28,574
Exploration expenditures:			
Assays and analysis	142	7	149
Drilling	174	-	174
Geophysical contractors	-	2	2
Feasibility costs	962	-	962
Social & environmental costs	225	-	225
Other	248	-	248
	29,652	682	30,334
Other items:			
Exchange differences	(796)	(26)	(822)
Balance, March 31, 2016	28,856	656	29,512
Balance, January 1, 2017	**34,464**	**-**	**34,464**
Exploration expenditures:			
Feasibility costs	**560**	**-**	**560**
Social & environmental studies	**41**	**-**	**41**
Other	**75**	**-**	**75**
	35,140	**-**	**35,140**
Other items:			
Exchange differences	**279**	**-**	**279**
Balance, March 31, 2017	**35,419**	**-**	**35,419**

8. Share capital and reserves

At March 31, 2017 Euromax's authorised share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2017 Number of shares	Amount	2016 Number of shares	Amount
		$000s		$000s
Balance on January 1	**116,842,737**	**65,975**	116,842,737	65,975
Common shares issued for:				
Financing, net of issue costs	**3,491,861**	**1,421**	-	-
Balance on March 31	**120,334,598**	**67,396**	116,842,737	65,975

On March 14, 2017 the Group closed the March 2017 Private Placement by issuing of 3,325,582 common shares at a price of $0.43 to a consortium of investors for total proceeds of $1.430 million.

The Company incurred share issue costs of $0.080 million in connection with the March 2017 Private Placement, of which $0.071 million were compensated by issuing of 166,279 common shares at a price of $0.43, while remaining $0.009 million were paid in cash.

During the three months ended March 31, 2017, no share options and no share purchase warrants were exercised.

At March 31, 2017, the Company had 11,933,466 share options outstanding (March 31, 2016: 8,933,466) with exercise prices ranging from $0.18 to $1.02 per share and a weighted average exercise price of $0.44.

Additionally, the Company has 20,141,835 share purchase warrants (March 31, 2016: 20,141,835) with exercise prices ranging from $0.40 to $0.41 per share and 1,864,076 Restricted Share Units ("RSUs") (March 31, 2016: 1,864,076) outstanding at March 31, 2017.

9. Loans and borrowings

During May 2016 the Company closed two convertible loans, one with European Bank for Reconstruction and Development ("EBRD") ("EBRD convertible loan"), and other with CC Ilovitza ("CCI" a member of the CCC Group) ("CCI convertible loan"), as presented below:

	March 31, 2017	December 31, 2016
	$000s	$000s
EBRD convertible loan	**8,649**	11,187
CCI convertible loan	**4,841**	4,551
	13,490	15,738

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	**March 31, 2017** Face value	**March 31, 2017** Carrying amount	December 31, 2016 Face value	December 31, 2016 Carrying amount
				$000s	**$000s**	$000s	$000s
EBRD convertible loan	US$	14.20%	2018	**6,662**	**8,649**	6,734	11,187
CCI convertible loan	$	9.00%	2018	**5,200**	**4,841**	5,200	4,551
				11,862	**13,490**	11,934	15,738

EBRD convertible loan

On May 24, 2016, the Company closed the EBRD convertible loan with EBRD and received proceeds of US$5.0 million ($6.662 million) ("Principal Amount").

The EBRD convertible loan matures on April 30, 2018 or earlier, upon an equity financing of at least US$50 million ("Maturity"). Upon Maturity, the Company will be required to pay/convert the Principal Amount, an amount of US$1.420 million ($1.892 million) ("Redemption Amount"), a finance delay fee of US$0.150 million ($0.200 million) ("Fee") and a finance delay interest ("Interest") that has been accrued from January 1, 2017 on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum, compounded quarterly.

9. Loans and borrowings (continued)

(a) Terms and conditions (continued)

EBRD convertible loan (continued)

The EBRD convertible loan is convertible into the Company's common shares in whole or in part at the election of EBRD. The Principal Amount will be converted at $0.40 per common share, whereas the Redemption Amount, the Fee and the Interest, will be convertible at the lower of (i) the market price of the Company's common shares on the last day prior to the EBRD serving a conversion notice; and (ii) the 20-day volume weighted average price ("VWAP") of the Company's common shares preceding such date, in each case discounted as permitted by the TSX, and subject to TSX approval.

CCI convertible loan

On May 20, 2016, the Company closed a convertible loan with CCI and received proceeds of $5.2 million.

The CCI convertible loan matures on April 30, 2018 and incurs a fixed interest rate of 9% per annum compounded daily and which is repayable at maturity.

At maturity, CCI can elect to receive cash repayment or convert the CCI convertible loan into the Company's common shares at a conversion price of $0.40 per common share. CCI can also elect to settle accrued interest on the CCI convertible loan in cash or convert such amount into the Company's common shares at the prevailing share price on the maturity date, subject to approval by the TSX.

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	**2017**	2016
	$000s	$000s
Carrying amount at January 1	**11,187**	-
Adjustments recorded during the period:		
Accrued interest	**367**	-
Fair value adjustment	**(2,826)**	-
Foreign exchange movements	**(79)**	-
Carrying amount at March 31	**8,649**	-

The EBRD convertible loan is classified as a financial liability at fair value through profit or loss, whereby all attributable transaction costs, together with any accrued interest, foreign exchange movements and fair value adjustments are recognised 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 two scenarios based on management's future financing plans.

A probability weighting has been applied to each scenario using management's best estimate of the likelihood of each scenario occurring. This probability weighting is categorised as a level 3 non-market observable assumption under IFRS 13 and hence results in the EBRD convertible loan valuation being a level 3 valuation. At March 31, 2017 the fair value, determined by these two scenarios, modelled ranged from $8.437 million to $8.862 million.

The fair value of the EBRD convertible loan at March 31, 2017 was assessed at $8.649 million (US$6.491 million), representing a reduction in the liability recognised in the balance sheet compared to December 31, 2016, which has resulted in fair value gain of $2.826 million recognised for the three months ended March 31, 2017 (March 31, 2016: $nil).

9. Loans and borrowings (continued)

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

CCI convertible loan

CCI convertible loan	2017	2016
	$000s	$000s
Carrying amount at January 1	**4,551**	-
Adjustments recorded during the period:		
Accrued interest	**226**	-
Amortisation of transaction costs	**64**	-
Carrying amount at March 31	**4,841**	-

The CCI convertible loan is a compound financial instrument, whereby a liability component and an equity component was determined at initial recognition.

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

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

10. Gold purchase advance payments

On October 20, 2014 the Group entered into a Gold Purchase and Sale Agreement (“GPSA”) with Royal Gold pursuant to which the Group via its wholly-owned subsidiaries 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, Royal Gold will pay US$175 million to the Group as an advance payment on the purchase price of Ilovica-Shtuka Project’s future gold production.

Under the GPSA, Royal Gold will purchase the gold delivered for a cash purchase price of 25% of the London PM gold fixing price as quoted by the London Bullion Market Association on the date of delivery for each ounce delivered and shall apply the balance as a reduction against the US$175 million advance payment.

Upon expiry of the 40 year term of the GPSA any balance remaining unpaid relating to the advance payment shall be refunded to Royal Gold. No interest shall be payable on the advance payments.

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 credited against gold deliveries.

Under the GPSA, the Group is permitted to raise up to US$215 million of senior ranking debt finance to fund mine construction and operations, as well as the ability to enter additional capital equipment leases and equipment financing customary for similar projects. On May 1, 2015 the Group executed a Mandate Letter and Term Sheet with Société Générale S.A. and UniCredit Bank AG and UniCredit Bank Austria AG to provide up to US$215 million of Senior Secured Project Finance, subject to due diligence and all necessary approvals. The Group also executed a Mandate Letter and Term Sheet with Caterpillar Financial to arrange an equipment financing facility for up to US$25 million, subject to due diligence and all necessary approvals.

On March 2, 2015 the Group entered into a First Amendment to the GPSA with Royal Gold and closed the initial stage of the transaction. The Group received the initial tranche of US$7.5 million in two equal instalments of US$3.75 million on March 2 and March 23, 2015.

On November 4, 2015 under the Second Amendment to the GPSA, the Group received part of the first anniversary payment of US$3.75 million.

All advance payments received under the GPSA are classified as current liabilities until all conditions precedent for the third tranche have been satisfied.

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.

10. Gold purchase advance payments (continued)

The following is a summary of the changes in the GPSA advance payments as at March 31, 2017 and 2016:

	2017	2016
	$000s	$000s
Balance on January 1	**15,150**	15,596
Adjustments recorded during the period:		
Foreign exchange movements	(160)	(945)
Balance on March 31	**14,990**	14,651

11. Related party transactions

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

Transactions with key management personnel

(a) Key management personnel transactions

The Group's related party is Trentside Projects Limited, a private company owned by one of the Group's current key management personnel. Since July 2015, Trentside Projects Limited has been providing project management services to the Ilovica-Shtuka Project.

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

	Three months ended March 31,	
	2017	2016
	$000s	$000s
Project management fees	**75**	81
	75	81

At March 31, 2017, the Group owed Trentside Projects Limited $ 0.026 million (December 31, 2016: $0.025 million) for services rendered in March 2017.

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the quarters ended March 31, 2017 and 2016 was as follows:

		Three months ended March 31,	
	Note	2017	2016
		$000s	$000s
Short-term employee benefits		**368**	422
Post-employment benefits	(i)	**22**	27
Share-based payments (recovery)/expense	(ii)	**(2,227)**	2,284
		(1,837)	2,733

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

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

11. Related party transactions (continued)

(c) Deferred Phantom Unit Plan

In March 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the Company's non-executive directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since April 2013, non-executive directors have made semi-annual elections to receive DPUs in lieu of cash for their fees. In March 2017 all non-executive directors, except for one, elected to receive DPUs in lieu of cash until September 30, 2017.

All DPUs granted to non-executive 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 Market Vectors Junior Gold Mines ETF ("GDXJ"), this is a market performance vesting condition so at grant date it is estimated that the Company's common share price performance should be at least consistent with the GDXJ's price performance.

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

The total DPUs in issue at March 31, 2017 is 13,480,556 (March 31, 2016: 11,891,804) inclusive of DPUs granted to the Company's non-executive directors. Share-based payment liabilities of $6.336 million (December 31, 2016: $8.659 million) are recognised as current at March 31, 2017. The DPU recovery for the three months ended March 31, 2017 is $2.323 million (March 31, 2016: DPU expense of $2.251 million).

12. Contingencies and commitments

The Group had the following future contractual obligations as at March 31, 2017:

	up to 1 year	**1-5 years**	**Over 5 years**	**Total**
	$000s	$000s	$000s	**$000s**
Operating lease obligations	208	43	-	**251**
Total contractual obligations	**208**	**43**	**-**	**251**

13. Non-controlling interest

A non-controlling 4% interest in SDM was derecognised upon disposal of the remaining Group's 96% interest in SDM on September 29, 2016.

14. Subsequent events

There are no reportable events subsequent to March 31, 2017.