Consolidated financial statements of

EurOmax Resources Ltd.

December 31, 2011and 2010

EurOmax Resources Ltd.
December 31, 2011 and 2010

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Independent Auditor's Report

To the Shareholders of EurOmax Resources Ltd.

We have audited the accompanying consolidated financial statements of EurOmax Resources Ltd., which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EurOmax Resources Ltd. as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses since inception and has an accumulated deficit of $31,044,769 at December 31, 2011 and a net loss for the year ended December 31, 2011 of $3,485,364. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte & Touche LLP

Chartered Accountants
April 11, 2012
Vancouver, Canada

EurOmax Resources Ltd.

Consolidated statements of loss and comprehensive loss

(Expressed in Canadian dollars)

	Note	Years ended December 31, 2011	2010
		$	$ (Note 12)
Expenses			
Depreciation	4	89,585	80,422
Loss on foreign exchange		39,736	248,438
General and administrative	8	2,521,422	1,946,960
Exploration		-	97,343
Share-based payment	7	931,198	379,035
Other		(57,175)	4,513
Shareholders' meeting		-	1,847,434
Impairment of unproven mineral right interests	5	-	3,390,682
		3,524,766	7,994,827
Loss before other items		(3,524,766)	(7,994,827)
Other items			
Investment loss		-	(146,688)
Other income		39,402	16,787
Net loss		(3,485,364)	(8,124,728)
Other comprehensive income (loss):			
Transfer of accumulated other comprehensive loss on sale of investment		-	(156,352)
Cumulative translation adjustment		88,899	(500,228)
		88,899	(656,580)
Comprehensive loss		(3,396,465)	(8,781,308)
Loss per common share:			
Basic and diluted		(0.02)	(0.07)
Weighted average number of common shares outstanding			
Basic and diluted		143,931,647	120,062,039

See accompanying notes to the consolidated financial statements.

EurOmax Resources Ltd.

Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	**December 31, 2011**	December 31, 2010	January 1, 2010
		$	$	$
			(Note 12)	(Note 12)
ASSETS				
Current				
Cash and cash equivalents		2,022,188	1,252,773	8,234,111
Trade and other receivables		776,112	969,480	689,580
		2,798,300	2,222,253	8,923,691
Non-current assets				
Restricted cash		114,608	49,900	47,223
Value added tax receivable		210,328	-	-
Investments		-	-	475,190
Equipment	4	147,561	154,671	213,124
Unproven mineral right interests	5, 8	11,456,954	6,571,692	6,976,916
		14,727,751	8,998,516	16,636,144
LIABILITIES				
Current				
Trade and other payables		529,507	248,780	295,349
		529,507	248,780	295,349
EQUITY				
Share capital	7	41,121,784	34,061,257	33,101,084
Equity reserve	7	4,532,558	2,748,112	2,518,036
Deficit		(31,044,769)	(27,559,405)	(19,434,677)
Accumulated other comprehensive (loss) income		(411,329)	(500,228)	156,352
		14,198,244	8,749,736	16,340,795
		14,727,751	8,998,516	16,636,144

Nature of operations	1
Subsequent events	13

Approved on behalf of the Board of Directors

(Signed) Mark Gustafson

Mark Gustafson, Director

(Signed) Donald Siemens

Donald Siemens, Director

EurOmax Resources Ltd.

Consolidated statements of changes in equity

(Expressed in Canadian dollars)

	Note	Share capital		Equity	Deficit	Accumulated other comprehensive (loss) income	Total equity
		Number of shares	Amount	reserve			
			$	$	$	$	$
Balance on January 1, 2010	12	120,062,039	33,101,084	2,518,036	(19,434,677)	156,352	16,340,795
Common shares issued for:							
Exercise of share options	7	198,403	74,673	(33,459)	-	-	41,214
Exercise of share warrants	7	3,850,000	885,500	(115,500)	-	-	770,000
Share-based payment	7	-	-	379,035	-	-	379,035
Net loss		-	-	-	(8,124,728)	-	(8,124,728)
Cumulative translation adjustment		-	-	-	-	(500,228)	(500,228)
Unrealized loss on investment		-	-	-	-	(303,040)	(303,040)
Transfer or accumulated other comprehensive loss on sale of investment	7	-	-	-	-	146,688	146,688
Balance on December 31, 2010		124,110,442	34,061,257	2,748,112	(27,559,405)	(500,228)	8,749,736
Balance on January 1, 2011		124,110,442	34,061,257	2,748,112	(27,559,405)	(500,228)	8,749,736
Common shares issued for:							
Financing, net of issue costs	7	22,500,000	6,478,677	1,122,948	-	-	7,601,625
Exercise of share options	7	1,290,000	581,850	(269,700)	-	-	312,150
Share-based payment	7	-	-	931,198	-	-	931,198
Net loss		-	-	-	(3,485,364)	-	(3,485,364)
Cumulative translation adjustment		-	-	-	-	88,899	88,899
Balance on December 31, 2011		147,900,442	41,121,784	4,532,558	(31,044,769)	(411,329)	14,198,244

The total of deficit and accumulated other comprehensive loss for the year ended December 31, 2011 was $3,396,465 (December 31, 2010 - $8,781,308).

EurOmax Resources Ltd.

Consolidated statements of cash flows
Years ended December 31,
(Expressed in Canadian dollars)

	2011	2010
	$	$
OPERATING ACTIVITIES		
Net loss	**(3,485,364)**	(8,124,728)
Items not involving cash		
Depreciation	**89,585**	80,422
Loss on sale of investment	**-**	146,688
Share-based payment	**931,198**	379,035
Other	**-**	4,513
Impairment of unproven mineral right interests	**-**	3,390,682
Changes in non-cash working capital items:		
Decrease (increase) in trade and other receivables	**272,796**	(279,900)
Increase (decrease) in trade and other payables	**225,762**	(46,569)
	(1,966,023)	(4,449,857)
INVESTING ACTIVITY		
Expenditures on equipment and unproven mineral right interests	**(5,251,774)**	(3,404,170)
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	**7,601,625**	-
Exercise of share options	**312,150**	41,214
Exercise of warrants	**-**	770,000
	7,913,775	811,214
Effect of exchange rate changes on cash	**73,437**	61,475
Net change in cash and cash equivalents	**695,978**	(7,042,813)
Cash and cash equivalents, beginning of the year	**1,252,773**	8,234,111
Cash and cash equivalents, end of the year	**2,022,188**	1,252,773

Supplemental cash flow information (Note 9)

1. Nature of operations

EurOmax Resources Ltd. (“EurOmax”) was incorporated under the Business Corporation Act (British Columbia) and established as a legal entity on May 1, 1990. EurOmax is a resource-based company that seeks to acquire and explore mineral right interests, primarily in Southeastern Europe. These consolidated financial statements include the accounts of EurOmax and of its wholly-owned subsidiaries (collectively, the “Company”): EurOmax Resources (Macedonia) Ltd., Omax International Limited., Martern EOOD (“Martern”), EOX Services Ltd., Thrace Resources EOOD, EurOmax Macedonia dooel Skopje, PDVdooel Skopje, South Danube Metals Beograd d.o.o, Martern Macedonia dooel (inactive), EurOmax Resources Serbia d.o.o. (inactive) and Scala Mines EOOD (inactive).

The Company operates in one segment being the exploration and development of mineral right interests.

The Company is in the process of exploring its mineral right interests in Bulgaria, Serbia and Macedonia and at the date of these consolidated financial statements, has not yet determined whether any of its mineral properties contain economically recoverable mineral reserves. Accordingly, the carrying amount of mineral right interests represents cumulative expenditures incurred to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of EurOmax to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints.

Uncertainty also exists with respect to the recoverability of the carrying value of certain mineral properties. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and confirmation of the Company’s title to the mineral properties.

These consolidated financial statements have been prepared on a going concern basis. The Company does not generate cash flows from operations and accordingly, EurOmax will need to raise additional funds through future issuance of securities. Although EurOmax has been successful in raising funds in the past, there can be no assurance EurOmax will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. The Company has not determined whether any of its properties contain mineral reserves that are economically recoverable. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. Since inception, the Company has incurred cumulative losses of $31,044,769 as of December 31, 2011 (December 31, 2010: $27,559,405; January 1, 2010: $19,434,677) and a net loss for the year ended December 31, 2011 of $3,485,364 (December 31, 2010: $8,124,728). These factors may cast significant doubt regarding EurOmax’s ability to continue as a going concern. Should EurOmax be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the statement of financial position.

These consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

EurOmax’s common shares are listed on the TSX Venture Exchange (“TSX-V”) and subsequent to December 31, 2011, on the OTCQX stock exchange in the United States, under the trading symbol ”EOX”. EurOmax’s share options and warrants are not listed.

The head office, principal address and registered and records office of the Company are located at 1950-400 Burrard Street, Vancouver, B.C. V6C 3A6.

These consolidated financial statements were authorized for issue by the board of directors on April 11, 2012.

2. Basis of preparation

(a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), as discussed in Note 12.

Previously, the Company prepared its consolidated annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(b) *Basis of presentation*

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

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

The IASB has issued the following standards which have not yet been adopted by the Company. Unless otherwise stated, each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet assessed the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

<u>IFRS 9 – Financial instruments - classification and measurement</u>

In November 2009 and October 2010, the IASB issued IFRS 9 – Financial instruments ("IFRS 9"), Classification and Measurement of Financial Assets and Financial Liabilities, respectively. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also proposes a new expected loss impairment method to be used, replacing the existing incurred loss model in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in the Company's credit risk are presented in other comprehensive income ("OCI"), instead of net profit, unless this would create an accounting mismatch. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Early adoption is permitted.

<u>IFRS 10 – Consolidation</u>

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

2. Basis of preparation (continued)

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

IFRS 11 - Joint arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of interests in other entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair value measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received on the sale of an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IAS 1 – Presentation of financial statements

Effective for annual periods beginning on or after July 1, 2012, requires that elements of other comprehensive income that may subsequently be recycled through profit or loss be differentiated from those items that will not be recycled.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

3. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

(b) Interest income

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(c) Foreign currency translation

The functional currencies of subsidiaries are the currencies of the primary economic environment in which the entities operate, which have been determined to be the Bulgarian lev, Serbian dinar and Macedonian denar. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. 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.

The functional currency of the parent entity is the Canadian dollar, which is also the presentation currency of the Company. Items in the statement of loss are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the balance sheet are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of the subsidiaries are recognized in a separate component of equity.

3. Summary of significant accounting policies (continued)

(d) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment items are depreciated over their estimated useful lives on a straight-line basis over 3 to 10 years.

An item of equipment is derecognized 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 recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

(e) Unproven mineral right interests

The Company capitalizes into intangible assets all costs, net of any recoveries, of acquiring, exploring and evaluating an unproven mineral right interest, until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property, or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. An indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditure in the specific area is neither budgeted nor planned, and if the entity has decided to discontinue exploration activity in a specific area. Management's assessment of the mineral right's fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations. No option payments were received during the years ended December 31, 2011 and 2010.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral right interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

3. Summary of significant accounting policies (continued)

(f) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized 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.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized 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.

(g) Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. Summary of significant accounting policies (continued)

(g) Income taxes (continued)

Deferred income tax (continued)

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or OCI is recognized in equity or OCI and not in the statement of loss and comprehensive loss.

3. Summary of significant accounting policies (continued)

(g) Income taxes (continued)

Deferred income tax (continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

h) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the treasury stock method is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the years ended December 31, 2011 and 2010 all the outstanding stock options and warrants were anti-dilutive.

(i) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are other assets and are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for when there is a significant or prolonged decline in the fair value of that investment below its cost, at which time the impairment is recognized in profit or loss.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. Summary of significant accounting policies (continued)

(j) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

(k) Impairment of financial assets

The Company assesses at each date of the statement of financial position whether any indicators exist that the Company's financial assets are impaired.

<u>Assets measured at amortized cost</u>

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

3. Summary of significant accounting policies (continued)

(k) Impairment of financial assets (continued)

Assets classified as available for sale

If an available for sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss.

(l) Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(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. There were no cash equivalents at December 31, 2011 and 2010.

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

3. Summary of significant accounting policies (continued)

(o) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

(p) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration of each business combination is measured, at the date of the acquisition, as the aggregate of the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree.

Acquisition related costs incurred for the business combination are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognized in earnings or loss immediately.

The interest of non-controlling shareholders in the acquiree is measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

(q) 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 giving rise to such an obligation. The Company 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 Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company 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 capitalized 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 Company is not presently aware of any such obligations.

3. Summary of significant accounting policies (continued)

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs are recognized as an expense in the period incurred.

(s) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to capital assets, depreciation, recoverability of accounts receivable, valuation of deferred income tax amounts, impairment testing, calculation of share-based payments and the determination of environmental obligations.

The most significant judgements relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, the determination of functional currency and the determination of the economic viability of a project.

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

4. Equipment

	Vehicles	Office equipment	Field equipment	Total
	$	$	$	$
Cost				
Balance at January 1, 2010	282,675	50,413	57,387	390,475
Acquisitions	46,266	2,701	1,036	50,003
Disposals	(21,037)	-	-	(21,037)
Foreign exchange movement	(34,352)	(6,052)	(6,799)	(47,203)
Balance at December 31, 2010	273,552	47,062	51,624	372,238
Acquisitions	49,024	21,857	12,029	82,910
Foreign exchange movement	(3,456)	(1,351)	(721)	(5,528)
Balance at December 31, 2011	319,120	67,568	62,932	449,620
Accumulated depreciation				
Balance at January 1, 2010	147,897	18,119	11,335	177,351
Depreciation	61,421	5,144	13,857	80,422
Disposals	(14,154)	-	-	(14,154)
Foreign exchange movement	(18,415)	(2,643)	(4,994)	(26,052)
Balance at December 31, 2010	176,749	20,620	20,198	217,567
Depreciation	55,661	14,615	19,309	89,585
Foreign exchange movement	(3,063)	(930)	(1,100)	(5,093)
Balance at December 31, 2011	229,347	34,305	38,407	302,059
Carrying amount				
At January 1, 2010	134,778	32,294	46,052	213,124
At December 31, 2010	96,803	26,442	31,426	154,671
At December 31, 2011	89,773	33,263	24,525	147,561

5. Unproven mineral right interests

The Company is currently engaged in exploring on three properties in Bulgaria, one property in Macedonia and one property in Serbia.

(a) BULGARIA

These properties are held pursuant to an exploration licence (“Licence”) issued by the government of Bulgaria. The Licences have an initial term of three years with a right to extend the term up to eight years under certain circumstances. In the event of an economic discovery on a Licence, the Company has the right to obtain a mineral concession (“Concession”). The term for a Concession is for the necessary period to extract the mineralization discovered but generally runs from 35 to 50 years.

Trun

The Trun Licence was granted pursuant to an agreement entered into between the Ministry of Environment and Water of Bulgaria (the “Ministry”) and the Company, dated July 7, 2004. This Licence covers an area of 67 square kilometres. In order to maintain this Licence in good standing, the Company completed work programs approved by the Ministry. The Trun Licence formally expired on July 12, 2011 and the Company has submitted all the reports necessary for a one year extension.

5. Unproven mineral right interests (continued)

(a) BULGARIA (continued)

Breznik

The Breznik Licence was granted pursuant to an agreement entered into between the Ministry and the Company dated May 28, 2004. This Licence covers an area of 19.1 square kilometres. In order to maintain this Licence in good standing, the Company completed work programs approved by the Ministry. The Company has applied for a Commercial Discovery Certificate to transition Breznik from an exploration permit to a mining concession, which may be granted in 2012.

Rakitovo

The Rakitovo Licence was granted pursuant to an agreement entered into between the Ministry and the Company dated May 28, 2004. This Licence covers an area of 33.3 square kilometres. In order to maintain this Licence in good standing, the Company completed work programs approved by the Ministry. The Rakitovo licence was extended to May 28, 2012.

(b) MACEDONIA

On July 11, 2007, the Company acquired an option to earn a 100% interest in nine properties in Macedonia. Under the terms of the option agreement, the Company paid US$500,000 and issued 100,000 common shares in order to acquire this option. In order to exercise the option, the Company completed a US$1.5 million exploration program over 3 years. The vendor retained a back-in right on the property and subsequent to December 31, 2011 elected not to exercise this right. EurOmax, through a wholly-owned subsidiary, now owns a 100% interest on the Macedonian properties (Note 13).

These properties are held pursuant to an Exploration Permit (“Permit”) granted by the Ministry of Economy. These Permits have an initial term of four years with a right to extend the term under certain circumstances. In the event of an economic discovery on a Permit, the Company has the right to apply for a mineral concession (“Concession”). The Concession runs for an initial term of 30 years.

Ilovitza

The Ilovitza property consists of 2 permits, Ilovitza 4 and Ilovitza 6. The Ilovitza 4 permit was re-issued on February 21, 2011. The Ilovitza 6 permit was extended until May 31, 2011. On November 2011, the Company filed all the documents required to apply for a Concession for Ilovitza.

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

5. Unproven mineral right interests (continued)

(c) SERBIA

On July 11, 2007, the Company acquired an option to earn a 100% interest in five properties in Serbia. Under the terms of the option agreement, the Company paid US$100,000 and issued 2.4 million common shares in order to acquire this option. In order to exercise the option, the Company completed a US$1.5 million exploration program over 3 years. The option agreement was amended on June 6, 2008 to add the Karavansalija ("KMC") property by payment of US$50,000 and the issuance of 2.5 million common shares. The KMC project was subject to certain back-in rights. In July 2011, the option agreement was amended and the optioner agreed to forego its option to acquire a 70% interest in the KMC property in exchange for a 2% net smelter return royalty on gold, and a 1.5% net smelter return royalty on all base and precious metals other than gold, extracted from the KMC property.

The Company, through a wholly owned subsidiary, now owns a 100% interest in the KMC property, subject to these royalty obligations.

Exploration Permits are issued by the Serbian Ministry of Energy and Mines. An Exploration Permit is valid until the end of the calendar year in which it was issued and can be extended until the end of the following calendar year by filing an annual report on the previous year's work program and a proposed work program for the current year. In case of a discovery under the terms of an Exploration Permit, the transfer of the ownership rights to an Exploitation License are similar to mineral concessions in Bulgaria and Macedonia.

The KMC Exploration Permit was issued on July 7, 2004 and is extended on an annual basis. This Exploration Permit covers 42 square kilometres.

	Bulgaria			Macedonia		Serbia		
	Trun	Breznick	Rakitovo	Ilovitza	Kazandol	KMC	Ceovishte	Total
	$	$	$	$	$	$	$	$
Balance, January 1, 2010	-	372,715	-	1,593,281	806,284	2,000,214	2,204,422	6,976,916
Exploration expenditures:								
Assays and analysis	19,759	83,828	-	15,453	15,974	13,599	-	148,613
Drilling	242,240	483,412	130,418	733,891	214,623	281,598	-	2,086,182
Geological consulting	33,505	137,532	42,379	134,614	104,222	158,975	28,504	639,731
Other	963	34,267	21,782	241,947	55,439	94,056	19,568	468,022
	296,467	1,111,754	194,579	2,719,186	1,196,542	2,548,442	2,252,494	10,319,464
Other items:								
Acquisition costs and payments	8,417	2,196	-	-	-	-	-	10,613
Impairment of unproven mineral rights	-	-	-	-	(1,180,586)	-	(2,210,096)	(3,390,682)
Exchange differences	(8,838)	(65,599)	(5,637)	(108,291)	(15,956)	(120,984)	(42,398)	(367,703)
	296,046	1,048,351	188,942	2,610,895	-	2,427,458	-	6,571,692
Balance, January 1, 2011	296,046	1,048,351	188,942	2,610,895	-	2,427,458	-	6,571,692
Exploration expenditures:								
Assays and analysis	213,271	139,372	-	74,036	-	87,928	-	514,607
Drilling	1,440,965	35,974	-	1,316,528	-	433,813	-	3,227,280
Geological consulting	401,459	28,559	16,021	612,370	-	7,444	-	1,065,853
Geophysical contractors	-	-	-	-	-	7,952	-	7,952
Other	198,669	30,511	-	82,757	-	90,524	-	402,461
	2,550,410	1,282,767	204,963	4,696,586	-	3,055,119	-	11,789,845
Other items:								
Acquisition costs and payments	8,049	703	-	(343,021)	-	-	-	(334,269)
Exchange differences	(88,745)	(12,896)	(862)	113,781	-	(9,800)	-	1,478
	2,469,714	1,270,574	204,101	4,467,346	-	3,045,319	-	11,457,054

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

6. Segmented information

The Company operates in four geographical areas, being Bulgaria, Serbia, Macedonia and Canada. The following is an analysis of the Company's assets by geographical area and reconciled to the Company's consolidated financial statements:

	December 31, 2011	December 31, 2010
	$	$
Assets by geographic segment, at cost		
Bulgaria		
Current assets	**531,651**	**453,259**
Restricted cash	**51,008**	**49,900**
Equipment	**119,858**	**134,088**
Unproven mineral right interests	**3,944,289**	**1,533,339**
	4,646,806	**2,170,586**
Serbia		
Current assets	**132,329**	**16,073**
Equipment	**2,656**	**812**
Unproven mineral right interests	**3,045,319**	**2,427,458**
	3,180,304	**2,444,343**
Macedonia		
Current assets	**236,106**	**65,397**
Restricted cash	**63,600**	**-**
Equipment	**25,047**	**19,771**
Value-added tax receivable	**210,328**	**-**
Unproven mineral right interests	**4,467,346**	**2,610,895**
	5,002,427	**2,696,063**
Canada		
Current assets	**1,898,214**	**1,687,524**
	1,898,214	**1,687,524**
	14,727,751	**8,998,516**

7. Capital and equity reserve

(a) *Capital*

At December 31, 2011, EurOmax's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

On February 24, 2011, the Company completed a non-brokered private placement consisting of 22,500,000 units (the "Units") in EurOmax at a price of $0.35 per Unit, for gross proceeds of $7,875,000. Each Unit was comprised of one common share and one-half of one common share purchase warrant. Each full warrant entitled the holder to acquire one additional common share of the Company until February 24, 2012, at an exercise price of $0.50. The warrants expired unexercised subsequent to December 31, 2011.

The warrants issued were valued by the Company at $1,403,972. The aggregate fair market value of the warrants and the shares issued in the private placement was distributed on a pro-rata basis between share capital and equity reserve.

The Company incurred cash share issue costs of $273,375 in connection with the private placement, including finder's fees of $231,000 and $42,375 of filing and legal costs, of which $232,991 was allocated to share capital and $40,384 to equity reserve.

(b) *Equity reserve*

Share Options

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

EurOmax has an incentive share option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan is equal to 10% of the then issued and outstanding common shares. The Board of Directors determines the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and, in most cases, vest one third at the date of grant, one third after six months and one third one year from the date of grant. The exercise price of each option equals the market value of EurOmax's common shares on the day preceding the date of grant.

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

7. Capital and equity reserve (continued)

(b) *Equity reserve (continued)*

Share options were awarded during 2011 and 2010 as follows:

	2011 Number of options	**2011** Weighted average exercise price	2010 Number of options	2010 Weighted average exercise price
		$		$
Balance, beginning of year	**10,683,228**	**0.28**	7,812,268	0.40
Options granted	**2,175,000**	**0.34**	5,200,000	0.13
Options exercised	**(1,290,000)**	**0.24**	(198,403)	0.21
Options expired	**(1,272,808)**	**0.54**	(515,770)	0.33
Options forfeited	**(1,540,000)**	**0.54**	(1,614,867)	0.37
Balance, end of year	**8,755,420**	**0.21**	10,683,228	0.28

For the 1,290,000 share options exercised during 2011, the weighted average closing share price at the date of exercise was $0.36 (2010: $0.29).

The following table summarizes information about stock options outstanding and exercisable at December 31, 2011:

	Options outstanding			Options exercisable		
Exercise price	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life (years)
$		$			$	
0.13-0.17	5,200,000	0.13	3.92	5,200,000	0.13	3.92
0.18-0.26	1,017,920	0.21	2.40	1,017,920	0.21	2.40
0.27-0.34	717,500	0.31	3.10	567,506	0.31	2.84
0.35-0.53	1,475,000	0.35	4.27	986,334	0.35	4.27
0.54-0.72	345,000	0.72	0.46	345,000	0.72	0.46
	8,755,420	0.21	3.60	8,116,760	0.21	3.55

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

7. Capital and equity reserve (continued)

(b) *Equity reserve (continued)*

The fair value of the share options awarded to employees and directors was estimated using the Black-Scholes option pricing model with the following assumptions for the periods presented below:

	Year ended December 31, 2011	Year ended December 31, 2010
Risk free interest rate	**2.22%**	2.01%
Expected life	**3.54 years**	3.70 years
Expected volatility	**179.06%**	175.46%
Expected dividend per share	**$Nil**	$Nil

The weighted average fair value of share options awarded during the year ended December 31, 2011, estimated using the Black-Scholes option pricing model was $0.29 per option (2010: $0.12 per option).

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

A share-based payment expense of $608,704 for the options granted in 2011 will be amortized over the vesting period, of which $566,074 was recognized as at December 31, 2011.

The total share-based payment expense calculated for the year ended December 31, 2011 was $931,198 (2010 - $379,035).

The intrinsic value of outstanding and exercisable share options at December 31, 2011 was $418,704 (2010: $379,420).

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

7. Capital and equity reserve (continued)

(b) *Equity reserve (continued)*

Warrants

During the year ended December 31, 2011, the Company granted 11,250,000 (2010 - nil) warrants at an exercise price of $0.50 with an expiry date of February 24, 2012. The fair value of the warrants issued in 2011 was estimated at $0.12 per warrant at the grant date using the Black-Scholes option pricing model. The weighted average assumptions used for the calculation are presented in the following table.

	Year ended December 31, 2011
Risk free interest rate	**1.69%**
Expected life	**1 year**
Expected volatility	**114.66%**
Expected dividend per share	**$Nil**

Warrants were awarded during 2011 and 2010 as follows:

		Year ended December 31, 2011		Year ended December 31, 2010
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Balance, beginning of year	**3,154,900**	**0.12**	7,754,900	0.21
Warrants granted	**11,250,000**	**0.50**	-	-
Warrants exercised	**-**	**-**	(3,850,000)	0.21
Warrants expired	**-**	**-**	(750,000)	0.60
Balance, end of year	**14,404,900**	**0.43**	3,154,900	0.12

The 3,154,900 warrants outstanding on December 31, 2010, had an exercise price of $0.12 per share which increased to $0.16 per share on May 25, 2011. The warrants expire on May 25, 2012.

The 11,250,000 warrants outstanding at December 31, 2011, with an exercise price of $0.50 per warrant, expired unexercised on February 24, 2012.

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

8. Related party transactions

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

(a) Trading transactions

The Company's related parties consist of companies owned by executive officers, former executive officers and directors as follows:

	Nature of transactions
Metallica Consulting Co.	Exploration fees
Delphis Financial Strategies Inc.	Management fees
Lamar EOOD	Exploration fees
Michael J. Kuta Law Corporation	Legal fees

The Company incurred the following fees and expenses in the normal course of operations in connection with companies owned by key management and directors. Expenses have been measured at the exchange amount which is determined on a cost recovery basis.

	2011	2010
	$	$
Management and legal fees	**104,300**	338,463
Severance payments	**-**	511,013
Directors fees	**44,583**	57,236
Salaries	**375,000**	90,000
Exploration fees	**151,400**	150,000
	675,283	1,146,712

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at December 31, 2011 included $nil (December 31, 2010: $12,178; January 1, 2010: $15,749), which were due to private companies controlled by directors and officers of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2011 and 2010 were as follows:

	Note	**2011**	2010
		$	$
Salaries, fees and directors' fees	(i)	**675,283**	1,146,712
Shared-based payment	(ii)	**576,434**	283,737
	(iii)	**1,251,717**	1,430,449

(i) Salaries, fees and director's fees include consulting and management fees disclosed in note 8(a).

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

8. Related party transactions (continued)

(b) Compensation of key management personnel (continued)

(ii) Share-based payments are the fair-value of options granted to key management personnel.

(iii) Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2011 and 2010.

9. Supplemental cash flow information

Non-cash financing activities

In the years ended December 31, 2011 and 2010, the Company incurred the following non-cash financing transactions:

	Year ended December 31,	
	2011	2010
	$	$
Transfer of equity reserve upon exercise of share options	**269,700**	33,459
Transfer of equity reserve upon exercise of warrants	**-**	115,500

10. Income taxes

a) Income tax expense reported differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the loss before the tax provision due to the following:

	2011	2010
	$	$
Loss before tax	**(3,485,364)**	(8,124,728)
Statutory tax rate	**26.50%**	28.50%
Expected income tax recovery	**(923,621)**	(2,315,547)
Changes attributable to:		
Share-based payment	**246,767**	132,325
Difference in tax rates between Canada and foreign jurisdictions	**239,078**	1,365,747
Tax effect of tax losses and temporary differences not recognized	**372,703**	643,167
Effect of change in future tax rates and others	**65,073**	174,308
Income tax expense	**-**	-

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

10. Income taxes (continued)

(b) Unrecognized deductible temporary differences and unused tax losses:

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

	2011	2010
	$	$
Tax values in excess of net book value of equipment	**42,948**	42,948
Non-capital losses	**1,381,142**	1,061,820
Share issue costs	**55,497**	2,116
Foreign exploration	**123,136**	123,136
Capital losses	**88,454**	88,454
Unrecognized deductible temporary differences	**1,691,177**	1,318,474

(c) Expiry dates of unused tax losses

At December 31, 2011, the Company has non-capital operating losses of approximately $5.5 million (2010 - $4.25 million) for deduction against future taxable income in Canada. The operating losses expire as follows:

	$
2025	143,000
2027	153,000
2028	446,000
2029	654,000
2030	2,851,000
2031	1,278,000
	5,525,000

The Company also has net capital losses of approximately $708,000 (2010 - $780,000) in Canada, without expiry.

At December 31, 2011, the Company has losses of Bulgarian Lev ("BGN") 4,218,000 (2010 – BGN 2,941,000). These losses expire as follows:

	$
2012	237,000
2013	248,000
2014	1,720,000
2015	736,000
2016	1,277,000
	4,218,000

Management believes that sufficient uncertainty exists regarding the realization of certain deferred income tax assets and that no deferred tax asset should be recorded.

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

11. Financial instruments

(a) Management of capital risk

The capital structure of the Company consists of equity, comprising share capital, equity reserve, deficit and accumulated other comprehensive loss. The Company's objectives when managing capital are to: (i) preserve capital, (ii) obtain the best available net return and (iii) maintain liquidity.

The Company 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 Company may attempt to issue new securities.

The Company is not subject to externally imposed capital requirements.

(b) Categories of financial instruments

	2011	2010
	$	$
Loans and receivables		
Cash and cash equivalents	**2,022,188**	1,252,773
Trade and other receivables	**776,112**	969,480
	2,798,300	2,222,253

	2011	2010
	$	$
Other liabilities		
Trade and other payables	**529,507**	248,780
	529,507	248,780

(c) Fair value of financial instruments

(i) Fair value estimation of financial instruments

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The fair value of financial instruments where no active market exists is calculated using a fair value model using various observable assumptions.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying values due to the short-term to maturities of these financial instruments.

11. Financial instruments (continued)

(c) Fair value of financial instruments (continued)

(ii) Fair value measurements recognized in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

There were no transfers between levels 1, 2 or 3 during the year ended December 31, 2011.

(d) *Financial risk management*

(i) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Bulgaria, Serbia and Macedonia. Functional currencies are the Canadian Dollar, Bulgarian Lev, Serbian Dinar and Macedonian Denar. The majority of its cash is held in Canadian dollars. Most of the Company's costs in Canada are denominated in Canadian dollars and most of the Company's exploration expenses in South-eastern Europe are denominated in local currencies. As of December 31, 2011, the Company is exposed to currency risk through assets and liabilities denominated in Bulgarian Lev, Serbian Dinar, Macedonian Denar, U.S. dollar and Euro.

The carrying amount of the Company's foreign-currency denominated monetary assets and liabilities is as follows:

	Bulgarian Lev	Serbian Dinar	Macedonian Denar	Euro	U.S. Dollar
	$	$	$	$	$
Cash and cash equivalents	369,591	3,293	42,156	173,755	237,716
Trade and other receivables	474,167	2,262	5,943	-	-
Trade and other payables	353,561	87,113	2,182	13,859	28,588
As stated in Canadian dollars	1,197,319	92,668	50,281	187,614	266,304

Based on the above net exposures as of December 31, 2011 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Lev, Dinar, Denar, U.S. dollar or Euro against the Canadian dollar would result in an increase/decrease of approximately $7,129 in the Company's net income.

11. Financial instruments (continued)

(d) *Financial risk management (continued)*

(ii) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's cash is predominantly held in a large Canadian financial institution. The Company's trade and other receivables consist primarily of value added taxes from the government of Canada. The Company's maximum credit exposure was $93,107 at December 31, 2011 (December 31, 2010: $308,822).

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage.

Trade and other payables are generally payable within sixty days or less. Given its cash resources of $2,022,188 at December 31, 2011 and the $3,806,000 financing completed subsequent to year end (Note 13), the Company believes it has sufficient liquidity to meet its current obligations.

(iv) Interest rate risk

Included in the results of operation of the Company is interest income earned on cash. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly, the Company's management believes there currently is no interest rate risk for the Company.

(v) Commodity price risk

The ability of the Company to develop its mineral right interests and the future profitability of the Company are directly related to the market price of gold and copper.

12. First time adoption of IFRS

The Company adopted IFRS effective January 1, 2011, with a transition date of January 1, 2010.

Under IFRS 1, IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian Generally Accepted Accounting Principles ("Canadian GAAP") taken to deficit unless certain exemptions are applied. The Company elected to take the following IFRS 1 optional exemptions:

- Not to restate business combinations which occurred prior to the transition date and the accounting thereof.

- Reclassify the cumulative translation difference reserve for all foreign operations to zero at the date of transition to IFRS.

12. First time adoption of IFRS (continued)

- Share-based payments – IFRS 2 Share-based payments encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply IFRS 2 for only those outstanding equity instruments granted after November 7, 2002 that had not vested by the transition date.

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments presented in the following pages.

Note 1 Under Canadian GAAP, the Company and all of its subsidiaries had a Canadian dollar measurement currency. Under IFRS, the functional currency of the parent company is the Canadian dollar, functional currencies of the subsidiaries are either the U.S. dollar, Bulgarian lev, Macedonian denar and Serbian dinar, and the Company's presentation currency is the Canadian dollar. The period end exchange rate is applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS and a cumulative translation adjustment on each statement of financial position date. The impact of this IFRS adjustment as of January 1, 2010 was a decrease of $86 in equipment, a decrease of $50,079 in unproven mineral right interests and an increase in deficit of $50,165. As of December 31, 2010, the impact of this adjustment was a decrease of $19,043 in equipment, a decrease of $293,269 in unproven mineral right interests, an increase in deficit of $50,165 and a decrease to cumulative translation adjustment of $262,147.

Note 2 Under Canadian GAAP, the Company recorded share-based payments on a straight-line basis over the vesting period. Under IFRS, the Company calculates the fair value for share-based payments for each tranche within an award over the vesting period of the corresponding tranche. The impact of this IFRS adjustment as of January 1, 2010 was an increase in deficit and equity reserve of $7,726. During the year ended December 31, 2010, there was a decrease of $145,405 to share-based payments and equity reserve from this adjustment.

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

12. First time adoption of IFRS (continued)

Reconciliations of statements of financial position

The reconciliations between Canadian GAAP and IFRS statements of financial position at January 1, 2010 and December 31, 2010 are provided below.

	Note	January 1, 2010 Canadian GAAP	Translation impact	January 1, 2010 IFRS
		C$	$	$
ASSETS				
Current				
Cash and cash equivalents		8,234,111	-	8,234,111
Trade and other receivables		689,580	-	689,580
		8,923,691	-	8,923,691
Non-current assets				
Restricted cash		47,223	-	47,223
Investments		475,190	-	475,190
Equipment	1	213,210	(86)	213,124
Unproven mineral right interest	1	7,026,995	(50,079)	6,976,916
		16,686,309	(50,165)	16,636,144
LIABILITIES				
Current				
Trade and other payables		295,349	-	295,349
		295,349	-	295,349
EQUITY				
Share capital		33,101,084	-	33,101,084
Equity reserve	2	2,510,310	7,726	2,518,036
Deficit	1,2	(19,376,786)	(57,891)	(19,434,677)
Accumulated other comprehensive income		156,352	-	156,352
		16,390,960	(50,165)	16,340,795
		16,686,309	(50,165)	16,636,144

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

12. First time adoption of IFRS (continued)

	Note	December 31, 2010 Canadian GAAP	Translation impact	December 31, 2010 IFRS
		C$	$	$
ASSETS				
Current				
Cash and cash equivalents		1,252,773	-	1,252,773
Trade and other receivables		969,480	-	969,480
		2,222,253	-	2,222,253
Non-current assets				
Restricted cash		49,900	-	49,900
Equipment	1	173,714	(19,043)	154,671
Unproven mineral right interest	1	6,864,961	(293,269)	6,571,692
		9,310,828	(312,312)	8,998,516
LIABILITIES				
Current				
Trade and other payables		248,780	-	248,780
		248,780	-	248,780
EQUITY				
Share capital		34,061,257	-	34,061,257
Equity reserve	2	2,885,791	(137,679)	2,748,112
Deficit	1,2	(27,885,000)	325,595	(27,559,405)
Accumulated other comprehensive loss	1	-	(500,228)	(500,228)
		9,062,048	(312,312)	8,749,736
		9,310,828	(312,312)	8,998,516

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

12. First time adoption of IFRS (continued)

Reconciliation of total comprehensive loss

Reconciliations between the Canadian GAAP and IFRS total comprehensive loss for the year ended December 31, 2010 is provided below.

	Note	Canadian GAAP	Translation Impact	IFRS
		C$	$	$
Expenses				
Depreciation		80,422	-	80,422
Loss (gain) on foreign exchange	1	356,436	(107,998)	248,438
Exploration		97,343	-	97,343
Share-based payment	2	524,440	(145,405)	379,035
Shareholders' meeting		1,847,434	-	1,847,434
Impairment of mineral right interests		3,520,765	(130,083)	3,390,682
Other		4,513	-	4,513
General and administrative		1,946,960	-	1,946,960
		8,378,313	(383,486)	7,994,827
Loss before other (expenses) income		(8,378,313)	383,486	(7,994,827)
Other items				-
Investment loss		(146,688)	-	(146,688)
Other income		16,787	-	16,787
Net loss		(8,508,214)	383,486	(8,124,728)
Other comprehensive loss				
Transfer of accumulated other comprehensive loss on sale of investment		(156,352)	-	(156,352)
Cumulative translation adjustment		-	(500,228)	(500,228)
		(156,352)	(500,228)	(656,580)
Comprehensive loss		(8,664,566)	(116,742)	(8,781,308)

Statement of cash flows

The IFRS transition adjustments noted above did not have an impact on cash and cash equivalents. There was no change to investing and financing cash flow sub-totals.

13. Subsequent events

Subsequent to December 31, 2011:

- The Company completed a non-brokered private placement consisting of 17,300,000 units ("Units") in the Company at a price of $0.22 per Unit, for gross proceeds of $3,806,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at an exercise price of $0.30 until January 16, 2014. All securities issued pursuant to the private placement are subject to a four-month hold period, expiring on May 13, 2012.

- The Company received $178,750 from the exercise of 1,375,000 stock options and warrants.

- A major international mining company from which the Company optioned the Macedonia properties elected not to exercise their back-in rights on the Ilovitza property. EurOmax, through a wholly-owned subsidiary, now owns a 100% interest on the Ilovitza property.