Consolidated financial statements of

Euromax Resources Ltd.

December 31, 2012 and 2011

Euromax Resources Ltd.
December 31, 2012 and 2011

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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, 2012 and December 31, 2011, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, 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, 2012 and December 31, 2011, and its financial performance and its cash flows for the years then ended 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 cumulative losses of $36,502,339 at December 31, 2012 and a net loss for the year ended December 31, 2012 of $5,457,570. 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 LLP

Chartered Accountants
March 11, 2013
Vancouver, Canada

Euromax Resources Ltd.

Consolidated statements of loss and comprehensive loss

(Expressed in Canadian dollars)

		Years ended December 31,	
	Note	2012	2011
		$	$
Expenses			
Accounting, legal and professional	8	1,158,119	380,925
Depreciation		83,499	89,585
Office and general		481,118	247,525
Regulatory, filing and transfer agent		82,714	27,311
Rent		179,867	69,516
Salaries, directors' and management fees	8	2,564,537	1,093,432
Share-based payments	7, 8	569,616	931,198
Shareholder communications and investor relations		202,222	325,540
Travel		304,059	377,173
(Gain) loss on foreign exchange		(65,040)	39,736
		5,560,711	3,581,941
Loss before other items		(5,560,711)	(3,581,941)
Other items			
Loss on sale of unproven mineral right interests	5	(5,737)	-
Other income		141,570	96,577
Loss before tax		(5,424,878)	(3,485,364)
Income tax expense		(32,692)	-
Net loss		(5,457,570)	(3,485,364)
Other comprehensive (loss) income:			
Cumulative translation adjustment		(156,808)	88,899
		(156,808)	88,899
Comprehensive loss		(5,614,378)	(3,396,465)
Loss per common share:			
Basic and diluted		(0.09)	(0.07)
Weighted average number of common shares outstanding			
Basic and diluted		63,395,582	47,977,213

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	2012	2011
		As at December 31,	
		$	$
ASSETS			
Current			
Cash and cash equivalents		1,761,743	2,022,188
Trade and other receivables		1,579,196	776,112
Total Current Assets		3,340,939	2,798,300
Non-current assets			
Restricted cash		157,513	114,608
Value added tax receivable		-	210,328
Equipment	4	199,681	147,561
Unproven mineral right interests	5, 8	16,726,493	11,456,954
Total Assets		20,424,626	14,727,751
LIABILITIES			
Current			
Trade and other payables	8	749,218	529,507
Total Liabilities		749,218	529,507
EQUITY			
Share capital	7	50,840,751	41,121,784
Equity reserve	7	5,905,133	4,532,558
Deficit		(36,502,339)	(31,044,769)
Accumulated other comprehensive loss		(568,137)	(411,329)
Total Equity		19,675,408	14,198,244
Total Liabilities & Equity		20,424,626	14,727,751

Nature of operations	1
Subsequent events	12

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 consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of changes in equity

(Expressed in Canadian dollars)

For the years ended December 31, 2012 and 2011	Note	Share capital Number of shares[1]	Amount	Equity Reserve	Deficit	Accumulated Other Comprehensive (Loss) Income	Total Equity
			$	$	$	$	$
Balance on January 1, 2011		41,370,144	34,061,257	2,748,112	(27,559,405)	(500,228)	8,749,736
Common shares issued for:							
Financing, net of issue costs	7	7,500,001	6,478,677	1,122,948	-	-	7,601,625
Exercise of share options	7	430,000	581,850	(269,700)	-	-	312,150
Share-based payments	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		49,300,145	41,121,784	4,532,558	(31,044,769)	(411,329)	14,198,244
Balance on January 1, 2012		49,300,145	41,121,784	4,532,558	(31,044,769)	(411,329)	14,198,244
Common shares issued for:							
Financing, net of issue costs	7	19,766,890	8,737,253	1,257,685	-	-	9,994,938
Exercise of share options	7	973,356	729,322	(346,558)	-	-	382,764
Exercise of warrants	7	300,467	252,392	(108,168)	-	-	144,224
Share-based payments	7	-	-	569,616	-	-	569,616
Net loss		-	-	-	(5,457,570)	-	(5,457,570)
Cumulative translation adjustment		-	-	-	-	(156,808)	(156,808)
Balance on December 31, 2012		70,340,858	50,840,751	5,905,133	(36,502,339)	(568,137)	19,675,408

The total of deficit and accumulated other comprehensive loss for the year ended December 31, 2012 was $5,614,378 (December 31, 2011: $3,396,465).

[1] All share information has been adjusted to reflect the Consolidation (See Note 7a).

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

	Years ended December 31, 2012	2011
	$	$
OPERATING ACTIVITIES		
Net loss	(5,457,570)	(3,485,364)
Items not involving cash		
Depreciation	83,499	89,585
Share-based payments	569,616	931,198
Loss on sale of unproven mineral right interests	5,737	-
Changes in non-cash working capital items:		
(Increase) decrease in trade and other receivables	(599,147)	272,796
(Decrease) increase in trade and other payables	219,711	225,762
	(5,178,154)	(1,966,023)
INVESTING ACTIVITIES		
Increase in value added tax credits receivable	-	(6,311)
Restricted cash deposits	(42,905)	-
Proceeds from sale of equipment and unproven mineral right interests	1,468,290	-
Expenditures on equipment and unproven mineral right interests	(6,946,846)	(5,245,463)
	(5,521,461)	(5,251,774)
FINANCING ACTIVITIES		
Issue of common shares for cash, net of issue costs	9,994,938	7,601,625
Exercise of warrants	144,224	-
Exercise of share options	382,764	312,150
	10,521,926	7,913,775
Effect of exchange rate changes on cash	(82,756)	73,437
Net change in cash and cash equivalents	(177,689)	695,978
Cash and cash equivalents, beginning of the year	2,022,188	1,252,773
Cash and cash equivalents, end of the year	1,761,743	2,022,188

Supplemental cash flow information (Note 9)

See accompanying notes to the consolidated financial statements.

1. Nature of operations

Euromax Resources Ltd. ("Euromax") is a gold exploration and development company with three projects in south-eastern Europe and the objective of becoming a world-class player in the European gold sector. Euromax was incorporated under the Business Corporation Act (British Columbia) and established as a legal entity on May 1, 1990. These consolidated financial statements include the accounts of Euromax and of its wholly-owned subsidiaries (collectively, the "Company"): Euromax Resources UK (Services) Limited, Euromax Resources (Macedonia) Ltd., Omax International Limited, Martern EOOD, Euromax Services EOOD, Euromax Macedonia Dooel Skopje, Euromax Resources DOO Skopje (formerly PD Vardar Dooel Skopje), South Danube Metals doo Beograd and Euromax Resources (Macedonia) UK Limited.

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 Macedonia, Bulgaria and Serbia 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 future 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 $36,502,339 as of December 31, 2012 (December 31, 2011: $31,044,769) and a net loss for the year ended December 31, 2012 of $5,457,570 (December 31, 2011: $3,485,364). Despite the Company's successful track record of raising equity (including the successful $8 million private placement post year-end – see Note 12), 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 under the trading symbol "EOX" and on the OTCQX stock exchange in the United States, under the trading symbol "EOXFF". Euromax's share options and warrants are not listed.

The registered address of the Company is located at 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5. The Company also has offices in London, United Kingdom; Sofia, Bulgaria and Skopje, Macedonia.

These consolidated financial statements were authorized for issue by the board of directors on March 11, 2013.

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").

(b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis 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.

- IFRS 9 - Financial Instruments *(effective Jan 1, 2015)*
- IFRS 10 – Consolidation
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- Amendments to IAS 32 – Offsetting Financial Assets and Liabilities
- Amendments to IFRS 7 – Disclosures - Offsetting Financial Assets and Liabilities
- Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date of IFRS 9 and Transition Disclosures
- IAS 19 (as revised in 2011) – Employee Benefits
- IAS 27 (as revised in 2011) – Separate Financial Statements
- IAS 28 (as revised in 2011) – Investments in Associates and Joint Ventures
- Amendments to IFRSs – Annual Improvements to IFRSs 2009-2011 Cycle
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The Company is evaluating the impact these new and amended standards will have on its consolidated financial statements.

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, Macedonian denar, British pound and the Euro.

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 of the subsidiaries are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items in the statement of financial position are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of the subsidiaries are recognized in other comprehensive income ("OCI"), a separate component of equity.

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 year-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.

3. Summary of significant accounting policies (continued)

(d) Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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 loss and comprehensive loss.

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 on a most likely units of production basis 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, or if the entity has decided to discontinue exploration activity in a specific area.

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 unproven mineral rights, with any excess being included in operations. No option payments were received during the years ended December 31, 2012 and 2011.

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 and 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.

<u>Current income tax</u>

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 substantively enacted by the date of the statement of financial position.

3. Summary of significant accounting policies (continued)

(g) Income taxes (continued)

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.

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 year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. During the years ended December 31, 2012 and 2011 all the outstanding share 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 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 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.

Assets measured at amortized cost

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, 2012 and 2011.

(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 agreed between to related party and the Company.

(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 Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgments

- **Unproven mineral right interests**
  The application of the Company's accounting policy for unproven mineral right interests requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

- **Title to unproven mineral right interests**
  Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimates

- Share-based payments:

  The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date in which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them.

  The Black-Scholes option pricing model was developed for use in estimating the fair value of share options 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.

(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, 2011	273,552	47,062	51,624	372,238
Acquisitions	49,024	21,857	12,029	82,910
Foreign exchange movement	(3,500)	(1,170)	(721)	(5,391)
Balance at December 31, 2011	319,076	67,749	62,932	449,757
Acquisitions	33,434	59,882	59,241	152,557
Dipsosals	(128,602)	(263)	-	(128,865)
Foreign exchange movement	(3,687)	896	1,345	(1,446)
Balance at December 31, 2012	220,221	128,264	123,518	472,003
Accumulated depreciation				
Balance at January 1, 2011	152,485	41,739	23,343	217,567
Depreciation	55,661	14,615	19,309	89,585
Foreign exchange movement	(3,129)	(847)	(980)	(4,956)
Balance at December 31, 2011	205,017	55,507	41,672	302,196
Depreciation	48,088	12,798	22,613	83,499
Disposals	(111,492)	(55)	-	(111,547)
Foreign exchange movement	(2,326)	139	361	(1,826)
Balance at December 31, 2012	139,287	68,389	64,646	272,322
Carrying amount				
At December 31, 2011	114,059	12,242	21,260	147,561
At December 31, 2012	80,934	59,875	58,872	199,681

5. Unproven mineral right interests

The Company is currently engaged in exploring mineral properties in Macedonia, Bulgaria and Serbia.

(a) MACEDONIA

On July 11, 2007, the Company acquired an option to earn a 100% interest in the Ilovitza project 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 in February 2012 elected not to exercise this right. As a result, Euromax, through a wholly-owned subsidiary, now owns a 100% interest in the Ilovitza project.

Ilovitza

The Company has two properties at Ilovitza an exploration permit at Ilovitza 11 (formerly known as Ilovitza 4) and a concession permit over Ilovitza 6. The Ilovitza 11 exploration permit was") was granted by the Ministry of Economy and re-issued on February 21, 2011 for a period of 4 years with the ability to extend it for a further two years. In the event of an economic discovery, the Company has the right to apply for an Exploitation Concession Agreement (the "Exploitation Concession") for an initial term of 30 years.

In respect of Ilovitza 6 in July 2012, the Company was granted an Exploitation Concession for the exploitation of mineral resources. The Exploitation Concession was granted under the rules and regulations of the Law of Mineral Raw Materials in Macedonia, has an initial term of 30 years and is subject to royalties of 2% of the market value of metal contained in concentrate.

5. Unproven mineral right interests (continued)

(a) MACEDONIA (continued)

On October 24, 2012, the Company announced that the Ministry of Environment and Physical Planning in Macedonia had formally gazetted the Ilovitza Environmental Impact Study ("EIS") and that after the requisite time period post gazetting the Ilovitza EIS is now formally approved under Macedonian law. Also on this date, the Company announced a Preliminary Economic Assessment ("PEA") for Ilovitza.

(b) BULGARIA

The Company currently owns a 100% interest in Trun, a Bulgarian property held pursuant to an exploration licence ("Licence") issued by the government of Bulgaria. The Licence has 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.

During the year, the Company sold a wholly-owned subsidiary that held the mineral rights to the Breznik and Rakitovo properties.

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. During 2012, the Company submitted a commercial discovery certificate application for Trun, following the same process as for the Breznik commercial discovery certificate application submitted in 2011.

Breznik and Rakitovo
On April 19, 2012, the Company sold its wholly-owned subsidiary Thrace Resources EOOD ("Thrace"), which held the Breznik and Rakitovo properties to a private company for consideration of up to $3.5 million, plus a 1.5% net smelter return royalty on the first 330,000 ounces of gold and 970,000 ounces of silver produced at the Breznik property.

An initial payment of $1,450,972 was received by the Company in April 2012. Two further payments of $1,050,000 and $1,000,000 will be received once the Breznik property obtains an effective Environmental Impact Assessment ("EIA") approval and is granted a Mining Concession, respectively. Due to the significant uncertainty of both receiving and the timing of receiving these payments the Company has not recognised any amounts receivable in respect of these payments.

In connection with the sale of Thrace, the Company recorded a loss on sale of unproven mineral right interests of $5,737 in 2012.

(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, 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/Prospects	Breznik	Rakitovo	Ilovitza	KMC	Total
	$	$	$	$	$	$
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	139,272	-	74,036	87,928	514,507
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	1,282,667	204,963	4,696,586	3,055,119	11,789,745
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
Balance, December 31, 2011	2,469,714	1,270,474	204,101	4,467,346	3,045,319	11,456,954
Balance, January 1, 2012	2,469,714	1,270,474	204,101	4,467,346	3,045,319	11,456,954
Exploration expenditures:						
Assays and analysis	51,174	-	-	172,156	92,265	315,595
Drilling	1,117,390	-	-	2,241,989	1,432,337	4,791,716
Geological consulting	929,470	-	-	370,440	71,209	1,371,119
Geophysical contractors	125,347	-	-	-	2,537	127,884
Other	62,020	-	-	8,495	93,443	163,958
	4,755,115	1,270,474	204,101	7,260,426	4,737,110	18,227,226
Other items:						
Acquisition costs and payments	24,017	-	-	-	-	24,017
Sale of unproven mineral right interests	-	(1,249,392)	(200,926)	-	-	(1,450,318)
Exchange differences	58,491	(21,082)	(3,175)	(41,065)	(67,601)	(74,432)
Balance, December 31, 2012	4,837,623	-	-	7,219,361	4,669,509	16,726,493

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

6. Segmented information

The Company operates in five geographical areas, being Bulgaria, Serbia, Macedonia, the United Kingdom 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, 2012	December 31, 2011
	$	$
Assets by geographic segment, at cost		
Bulgaria		
Current assets	**849,630**	531,651
Restricted cash	**93,913**	51,008
Equipment	**72,623**	119,858
Unproven mineral right interests	**4,837,623**	3,944,289
	5,853,789	4,646,806
Serbia		
Current assets	**251,780**	132,329
Equipment	**-**	2,656
Unproven mineral right interests	**4,669,509**	3,045,319
	4,921,289	3,180,304
Macedonia		
Current assets	**877,549**	236,106
Restricted cash	**63,600**	63,600
Equipment	**81,386**	25,047
Value-added tax receivable	**-**	210,328
Unproven mineral right interests	**7,219,361**	4,467,346
	8,241,896	5,002,427
United Kingdom		
Current assets	**269,549**	-
Equipment	**45,672**	-
	315,221	-
Canada		
Current assets	**1,092,431**	1,898,214
	1,092,431	1,898,214
	20,424,626	14,727,751

7. Capital and equity reserve

(a) *Capital*

At December 31, 2012, Euromax's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

On October 17, 2012, Euromax completed a three-for-one consolidation (the "Consolidation") of its issued and outstanding common shares. The 211,022,579 common shares issued and outstanding prior to the Consolidation were consolidated to 70,340,858 common shares. Euromax's outstanding share options and warrants were adjusted on the same basis with proportionate adjustments being made to the share option and warrant exercise prices.

All share information has been adjusted to reflect the Consolidation.

On June 13, 2012, the Company completed a non-brokered private placement (the "June 2012 Private Placement") consisting of 14,000,222 common shares in the Company at a price of $0.45 per share, for gross proceeds of $6,300,100. The Company incurred cash share issue costs of $70,719 in connection with the June 2012 Private Placement in respect of filing and legal costs.

On January 13, 2012, the Company completed a non-brokered private placement (the "January 2012 Private Placement") consisting of 5,766,666 units in the Company at a price of $0.66 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 $0.90 until January 16, 2014.

The warrants issued in the January 2012 Private Placement were valued by the Company at $2,082,208 (Note 7(b)). The aggregate fair market value of the warrants and the shares issued in the January 2012 Private Placement was distributed on a pro-rata basis between share capital and equity reserve.

The Company incurred cash share issue costs of $40,443 in connection with the January 2012 Private Placement in respect of filing and legal costs, of which $26,935 was allocated to share capital and $13,508 to equity reserve.

On February 24, 2011, the Company completed a non-brokered private placement consisting of 7,500,001 units (the "Units") in Euromax at a price of $1.05 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 at an exercise price of $1.50. The warrants expired unexercised on February 24, 2012.

The warrants issued in 2011 were valued by the Company at $1,403,972 (Note 7(b)). 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 2011 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.

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

7. Capital and equity reserve (continued)

(b) *Equity reserve (continued)*

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 (the "Plan") under which directors, officers and employees of the Company are eligible to receive share 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 Company's 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 recent grants, vest 25% at the date of grant and 25% on the first, second and third anniversaries of 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.

Share options were awarded during 2012 and 2011 as follows:

		2012		2011
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Balance, beginning of year	**2,918,476**	**0.64**	3,561,073	0.83
Options granted	**3,393,329**	**0.63**	725,003	1.01
Options exercised	**(973,356)**	**0.39**	(430,000)	0.73
Options expired	**(114,999)**	**2.16**	(424,268)	1.63
Options forfeited	**(166,667)**	**1.05**	(513,332)	1.61
Balance, end of year	**5,056,783**	**0.64**	2,918,476	0.64

For the 973,356 share options exercised during 2012 (2011: 430,000), the weighted average closing share price at the date of exercise was $0.79 (2011: $1.08).

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

7. Capital and equity reserve (continued)

(b) *Equity reserve (continued)*

The following table summarizes information about share options outstanding and exercisable at December 31, 2012:

	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)
$		$			$	
0.39 - 0.50	775,001	0.39	2.91	775,001	0.39	2.91
0.51 - 0.62	2,951,777	0.60	4.30	794,293	0.60	4.04
0.63 - 0.78	499,166	0.69	3.06	311,666	0.65	2.22
0.79 - 0.99	389,172	0.89	3.16	276,671	0.92	2.47
1.00 - 1.05	441,667	1.04	3.62	329,167	1.05	3.27
	5,056,783	0.64	3.82	2,486,798	0.64	3.18

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, 2012	Year ended December 31, 2011
Risk free interest rate	**1.19%**	2.22%
Expected life	**3.03 years**	3.54 years
Expected volatility	**108.96%**	179.06%
Expected dividend per share	**$Nil**	$Nil

The weighted average fair value of share options awarded during the year ended December 31, 2012, estimated using the Black-Scholes option pricing model was $0.42 per option (2011: $0.87 per option).

A share-based payment expense of $1,056,771 for the options granted in 2012 will be amortized over the vesting period, of which $526,958 was recognized as at December 31, 2012.

The total share-based payment expense calculated for the year ended December 31, 2012 was $569,616 (2011 - $931,198).

The intrinsic value of outstanding and exercisable share options at December 31, 2012 was $124,000 (2011: $418,704).

(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, 2012, the Company granted 5,766,666 (2011: 3,750,000) warrants at an exercise price of $0.90 (2011: $1.50) with an expiry date of January 16, 2014 (2011: February 24, 2012). The fair value of the warrants issued in 2012 was estimated at $0.36 (2011: $0.36) 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, 2012	Year ended December 31, 2011
Risk free interest rate	**0.95%**	1.69%
Expected life	**2 years**	1 year
Expected volatility	**106.38%**	114.66%
Expected dividend per share	**$Nil**	$Nil

Warrants were awarded during 2012 and 2011 as follows:

		Year ended December 31, 2012		Year ended December 31, 2011
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
		$		$
Balance, beginning of year	**4,801,634**	**1.29**	1,051,634	0.48
Warrants granted	**5,766,666**	**0.90**	3,750,000	1.50
Warrants exercised	**(300,467)**	**0.48**	-	-
Warrants expired	**(4,501,167)**	**1.32**	-	-
Balance, end of year	**5,766,666**	**0.90**	4,801,634	1.29

3,750,000 warrants outstanding at December 31, 2011 had an exercise price of $1.50 per share and expired unexercised on February 24, 2012.

1,051,634 warrants outstanding on December 31, 2011 had an exercise price of $0.48 per share; 751,167 of these warrants expired unexercised on May 25, 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 private companies owned by executive officers and directors and 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 agreed between the parties.

	2012	2011
	$	$
Management and legal fees	**106,000**	104,300
Severance payments	**225,000**	-
Directors fees	**161,358**	44,583
Salaries	**616,114**	375,000
Bonuses	**166,357**	-
Exploration fees	**252,410**	151,400
	1,527,239	675,283

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Trade and other payables at December 31, 2012 included $314,858 (December 31, 2011: $nil), 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, 2012 and 2011 were as follows:

	Note	**2012**	2011
		$	$
Salaries, fees and directors' fees	(i)(iii)	**1,527,239**	675,283
Share-based payments	(ii)	**450,495**	576,434
	(iii)	**1,977,734**	1,251,717

(i) Salaries, fees and directors' 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 which have been expensed during the year.

(iii) The Company's former Chairman and Chief Operating Officer received severance payments of $225,000 in 2012, which have been included in salaries, fees and directors' fees. Other than for these payments, key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended December 31, 2012 and 2011.

9. Supplemental cash flow information

Non-cash financing activities

In the years ended December 31, 2012 and 2011, the Company incurred the following non-cash financing transactions:

	Year ended December 31,	
	2012	2011
	$	$
Transfer of equity reserve upon exercise of share options	**346,558**	269,700
Transfer of equity reserve upon exercise of warrants	**108,168**	-

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:

	2012	2011
	$	$
Loss before tax	**(5,457,570)**	(3,485,364)
Statutory tax rate	**25.00%**	26.50%
Expected income tax recovery	**(1,364,393)**	(923,621)
Changes attributable to:		
Share-based payment	**226,240**	246,767
Difference in tax rates between Canada and foreign jurisdictions	**242,348**	239,078
Tax effect of tax losses and temporary differences not recognized	**775,508**	372,703
Effect of change in future tax rates and others	**152,989**	65,073
Income tax expense	**32,692**	**-**

(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:

	2012	2011
	$	$
Tax values in excess of net book value of equipment	**171,792**	171,792
Non-capital losses	**12,431,673**	8,371,505
Share issue costs	**252,955**	221,987
Foreign exploration	**492,545**	492,545
Capital losses	**324,714**	707,634
Unrecognized deductible temporary differences	**13,673,679**	9,965,463

(c) Expiry dates of unused tax losses

At December 31, 2012, the Company has non-capital operating losses of approximately $8.4 million (2011: $5.5 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
2032	2,885,000
	8,410,000

The Company also has net capital losses of approximately $325,000 (2011: $708,000) in Canada, without expiry.

At December 31, 2012, the Company has losses of Bulgarian Lev ("BGN") 5,968,318 (2011: BGN 4,218,000). These losses expire as follows:

	BGN
2013	248,000
2014	1,720,000
2015	736,000
2016	1,277,000
2017	1,987,318
	5,968,318

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

	2012	2011
	$	$
Loans and receivables		
Cash and cash equivalents	**1,761,743**	2,022,188
Trade and other receivables	**1,579,196**	776,112
	3,340,939	2,798,300

	2012	2011
	$	$
Other liabilities		
Trade and other payables	**749,218**	529,507
	749,218	529,507

(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.

At December 31, 2012 and 2011, the Company had no financial instruments at levels 1, 2 or 3 of the fair value hierarchy. There were no transfers between levels 1, 2 or 3 during the year ended December 31, 2012.

(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, the United Kingdom, Bulgaria, Serbia and Macedonia. Functional currencies are the Canadian Dollar, British Pound, 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, most of the costs in the United Kingdom are denominated in British Pounds and most of the Company’s exploration expenses in South-eastern Europe are denominated in local currencies. As of December 31, 2012, the Company is exposed to currency risk through assets and liabilities denominated in British Pound, 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:

	British Pound	Bulgarian Lev	Serbian Dinar	Macedonian Denar	Euro	U.S. Dollar
	$	$	$	$	$	$
Cash and cash equivalents	49,723	543,972	109	89,110	216,468	358,719
Trade and other receivables	213,487	389,072	3,535	666,993	-	-
Trade and other payables	500,246	41,555	132	2,727	7,605	34,613
As stated in Canadian dollars	763,456	974,599	3,776	758,830	224,073	393,332

Based on the above net exposures as of December 31, 2012 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Pound, Lev, Dinar, Denar, U.S. dollar or Euro against the Canadian dollar would result in an increase/decrease of approximately $176,755 in the Company’s net income (2011: $7,129).

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 large Canadian and British financial institutions. The Company's trade and other receivables consist primarily of value added taxes from the governments of Bulgaria ($389,071), Macedonia ($660,955) and the United Kingdom ($30,486). The Company's maximum credit exposure was $498,684 at December 31, 2012 (December 31, 2011: $93,107). No allowance for doubtful debts was held at December 31, 2012 (2011: nil) and no debts were past due (2011: nil), with the exception of Bulgarian and Macedonian value added taxes however subsequent to year end amounts $737,334 and management expects to recover the remaining balances during 2013..

(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 $1,761,743 at December 31, 2012 and a financing completed subsequent to year for gross proceeds of $8 million (Note 12), 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. Subsequent events

Subsequent to December 31, 2012:

On March 7, 2013, the Company closed an $8 million non-brokered private placement for the issuance of 14,814,815 common shares of the Company at a price of $0.54 per common share. All of the shares issued in connection with the private placement are subject to a four month hold period expiring 8 July 2013. The Company will use these funds to further accelerate its flagship Ilovitza project together with resource definition of its other exploration properties and general working capital purposes.

Additionally, the Company has entered into an agreement (the "Agreement") to appoint Investec Bank plc ("Investec") as Lead Banker whose role will include Global Project Finance Coordinator and Treasury Arranger to the Company. In consideration for providing these services, the Company will undertake to issue Investec on the date of completion of a listing of the Company's shares in the United Kingdom ("UK Listing"), and in certain other circumstances as described in the Company's news release dated January 23, 2013, issue a number of warrants exercisable for a period of five years following the date of issuance. Each warrant would be exercisable for a period of five years and would be exercisable at a 10% premium to the issue price of the securities offered in a UK Listing (or at the Company's share

12. Subsequent events (continued)

price if there is no UK Listing), such that the number of warrants multiplied by the exercise price thereof would be equal to $5 million.

The parties have subsequently entered into an amended and restated letter agreement whereby the circumstances under which the issuance of the Warrants would be triggered were amended in order to address comments received from the TSXV.