



**Management's Discussion and Analysis**

**For the three and six months ended June 30, 2014**

## **EUROMAX RESOURCES LTD.**

Management's Discussion and Analysis

For the three and six months ended June 30, 2014

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### **INTRODUCTION**

The following Management's Discussion and Analysis ("MD&A") of Euromax Resources Ltd. ("Euromax" or "the Company") and its subsidiary companies (collectively, the "Group") is prepared as of August 21, 2014 and should be read in conjunction with the Group's unaudited condensed consolidated interim financial statements and related notes for the three and six months ended June 30, 2014 ("Q2-2014" and "1H-2014" respectively) and the audited consolidated financial statements for the year ended December 31, 2013 ("FY13").

The Group's interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including *IAS 34 Interim Financial Reporting*. The Group's reporting currency is the Canadian dollar and all figures in this MD&A are in Canadian dollars unless otherwise indicated.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein. Euromax's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "EOX".

### **CORPORATE STRATEGY**

The Group's ambition is to become a leading gold and base metal mining company in Europe through the development of the Ilovitza project. We will strive to set the standard for developing mines in Europe by using best industry practices and implementing the highest standard for environmental management and managing health and safety in the work place.

The Group's mission is to bring Ilovitza into production within the next four years and grow the value of our business by maximising the potential of Ilovitza as our flagship asset. Delivery of value for our shareholders is key and we intend to pursue a suite of financing alternatives such that we may grow our business without diminishing value for shareholders.

As part of all our activities we will engage with and empower communities to be part of our projects and we will look to create mutually beneficial opportunities for all our stakeholders including local businesses, communities and employees.

### **Q2-2014 HIGHLIGHTS**

#### ***Macedonia***

The Group's primary attention is the development of its Ilovitza gold-copper project in Macedonia. After the completion of resource definition and a significant amount of engineering, the Group has progressed the Ilovitza project work to a Pre-Feasibility Study ("PFS"), results of which were announced in the quarter.

Mineral resource estimations for Ilovitza were updated in July 2013 and again in December 2013. The current Measured and Indicated Mineral Resources in the mixed and sulphide ore are 237 million tonnes grading 0.33 g/t Au and 0.22% Cu, containing 2.54 million ounces of gold and 1.1 billion pounds of copper. In addition in the oxide zone there are an estimated 38 million tonnes grading 0.33 g/t Au containing 0.4 million ounces of gold. The PFS defined a maiden Probable Mineral Reserve comprising 209 million tonnes grading 0.34 g/t Au and 0.20% Cu in sulphide material, containing 2.3 million ounces of gold and 0.9 billion pounds of copper. An additional 16 million tonnes of Probable Mineral Reserve grading 0.33 g/t Au in oxide material was defined by the study, containing 0.2 million ounces of gold. The PFS demonstrated a pre-tax NPV<sup>(5%)</sup> of US\$675 million and a pre-tax IRR of 18.6%. Environmental and social base line monitoring were also conducted throughout the current quarter.

#### ***Serbia***

The field programme for the Karavansalija Mineralised Centre ("KMC") project in Serbia will be carried out in the second half of the year.

#### ***Sale of Euromax Services EOOD and renegotiation of Thrace Resources EOOD sale***

Since the beginning of 2012 the Group has been undertaking a programme to sell its Bulgarian exploration assets and this was successfully completed subsequent to quarter end, allowing the Group to concentrate its efforts on developing the Ilovitza gold-copper project in Macedonia. The sale of Euromax Services EOOD ("**Euromax Services**") was completed on May 9, 2014 for a total consideration of US\$3.5 million. In total, the Group has received cash of \$5.525 million from the sale of Euromax Services and Thrace Resources EOOD, with a further \$0.9 million receivable assuming no claims under the warranties of the sale and purchase agreement by the purchaser.

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### **Q2 2014 HIGHLIGHTS – CONTINUED**

#### ***Establishment of Euromax Exploration Services EOOD (“EES”)***

Independent of the sale of Euromax Services, the Group has retained its core technical team in Bulgaria in the form of a new exploration services company. EES was launched in March 2014 and owing to the technical team's intimate knowledge of the projects, has successfully signed a five-year framework agreement with the purchaser of Euromax Services to perform exploration work on their Bulgarian projects. In addition to this EES personnel continue to be available for use on the Group existing projects in Macedonia and Serbia to ensure continuity of knowledge on these projects.

EES has received its first work order, under the framework agreement, for exploration work on the Babjak and Zlataritzha projects in 2014. In Q2-2014 exploration services provided under this work order generated revenue of \$1.266 million and produced gross profits of \$0.273 million to cover other operating costs in Bulgaria and elsewhere in the Group. Management is delighted with the progress made at EES, which is now no longer a financial burden on the Group cash resources.

Potential exists for additional work to be performed in future periods both on these projects as well as other projects owned by the purchaser of Euromax Services. Notwithstanding this further opportunities are also being sought by EES with other mineral exploration companies operating in Europe that are seeking the expertise of this established exploration team to execute their exploration programmes.

### **PROJECTS**

This section outlines the exploration activities carried out in Q2-2014. Patrick Forward, Chief Operating Officer, is the Qualified Person responsible for the review of the technical information contained in this section of the Group's MD&A.

#### **Ilovitza Gold Copper Project – Macedonia**

Ilovitza is a gold copper porphyry deposit associated with typical porphyry alteration, located 18 km from the town of Strumica and easily accessible by road.

The Company published results of its PFS on the project in early June with a NI 43-101 compliant technical report filed on the SEDAR website in July. With an NPV of US\$675 million the PFS demonstrates the economic robustness of the Ilovitza Project (the “Project”), building upon the significantly increased Mineral Resource announced 3 December 2013, as well as incorporating costs based on supplier quotes and engineering studies carried out to at least pre-feasibility industry standards.

#### **PFS Highlights** (based on US\$1,250/oz Au and US\$3.00/lb Cu)

- Maiden Total Probable Reserve of 225 million tonnes containing:
  - 2.45 million ounces of gold
  - 905 million pounds (411 thousand tonnes) of copper
- Total Sulphide Probable Reserve of 209 million tonnes at an average grade of 0.34 g/t Au and 0.20% Cu
- Total Oxide Probable Reserve of 16 million tonnes at 0.33 g/t Au
- Throughput of 10 million tonnes per annum and mine life of 23 years
- Conventional open pit with strip ratio of 0.7:1
- Average process recoveries of 86.5% gold and 84% copper
- Average annual payable production of 95,000 oz gold and 16,000 tonnes of copper
- World Gold Council defined Adjusted Operating Cash Costs of US\$216/oz and All-In Costs of US\$334/oz
- Pre-tax NPV<sup>(5%)</sup> of US\$675 million and Post-tax NPV<sup>(5%)</sup> of US\$558 million
- Pre-tax IRR of 18.6% and Post-tax IRR of 16.5%
- Initial Capex of US\$502 million including contingency
- Distributable post-tax net cash flow of US\$1.2 billion after capex

The PFS was produced by the following experts who worked with the Company's technical team:

- Tetra Tech – Geology, Resources, Mineral Processing and Engineering, Infrastructure, Hydrogeology, Hydrology;
- ACA Howe International – Mining and Reserves, Mine Infrastructure;
- Faculty of Civil Engineering from St. Cyril and Methodius University of Skopje – Tailings

The current pit-constrained Mineral Resources for the property can be summarised as follows:

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**PROJECTS - CONTINUED**

**Mineral Resource (Effective 27 November 2013)**

Classification	Tonnage (Kt)	Grade		Contained Metal	
		Au (g/t)	Cu (%)	Au (Koz)	Cu (Klb)
<b>Sulphide (based upon a dollar equivalent cut-off of \$16/t.)</b>					
Measured	18,440	0.34	0.22	200	88,677
Indicated	218,640	0.33	0.22	2,341	1,036,427
Total M+I	237,080	0.33	0.22	2,541	1,125,104
Inferred	19,850	0.36	0.22	226	96,942
<b>Oxide (based upon a dollar equivalent cut-off of \$8/t.)</b>					
Measured	1,340	0.38	-	16	-
Indicated	34,540	0.33	-	365	-
Total M+I	35,880	0.33	-	381	-
Inferred	6,750	0.25	-	55	-

Notes:

- Dollar equivalent cut-off based upon the following calculation Dollar Eq. = (Au \* recovery \* price) + (Cu \* recovery \* price), using the following inputs:
  - Au process recovery in oxide 86% based on early test work
  - Cu process recovery in oxide 0% based on early test work
  - Cu process recovery in fresh 85% based on early test work
  - Au process recovery in fresh 65% based on early test work
  - Spot metal prices effective 19 August 2013 (Au = US\$1,366/oz, Cu = US\$3.30/ lb)
- Resource cut-off of US\$16 used for sulphide material
- Resource cut-off of US\$8 used for oxide material
- Numbers may not add exactly due to rounding
- Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. The mineral resources in this news release were estimated using current Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) standards, definitions and guidelines.
- For additional information on key assumptions, parameters and methods used to estimate the mineral resources and mineral reserves, including quality assurance measures and other technical information in respect of Ilovitza, please refer to our technical report entitled “Pre-Feasibility Study Technical Report for the Ilovitza Gold-Copper Project in Southeast Macedonia” with an effective date of 5 June 2014.

**Mining & Reserves** – Mining is planned via conventional open pit methods using a large scale mining fleet that enables bulk-mining at a rate of 10 million tonnes a year. The good continuity of grade in the main mineralised areas enables mining to be carried out at a low average strip-ratio of 0.7:1. Ore will be crushed with a gyratory crusher at the pit exit before being transported to the mill by conveyor. With the completion of the PFS, the Company is pleased to announce a new Mineral Reserve for the project which, is summarised in the table below:

**Mineral Reserve (Effective June 2014)**

Classification	Tonnage (Kt)	Grade		Contained Metal	
		Au (g/t)	Cu (%)	Au (Koz)	Cu (Klb)
<b>Sulphide (Fully Diluted)</b>					
Probable	208,650	0.34	0.2	2,276	905,100
<b>Oxide (Fully Diluted)</b>					
Probable	16,230	0.33	-	172	-

Notes:

- Sulphide mill cut-off of 0.3 g/t gold equivalent based upon the following calculation:
  - Recovered gold equivalency based on = (recovery \*Au grade) + ((Cu grade \* recovery \* copper price)/ gold price)
  - Au and Cu process recoveries of 90% based on early test work
  - Mining recovery 95%
  - Mine dilution 5%
  - Metal prices Au = US\$1,250/oz, Cu = US\$3.00/lb
  - Assumed process cost per in-situ tonne US\$8.05
- Oxide mill cut-off of 0.25 g/t gold upon the following calculation:
  - Recovered gold based on = (recovery \*Au grade)
  - Au process recovery 90% based on early test work
  - Mining recovery 95%
  - Mine dilution 5%
  - Metal prices Au = US\$1,250/oz, Cu = US\$3.00/lb
  - Assumed process cost per in-situ tonne US\$6.90

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### PROJECTS - CONTINUED

**Processing** – Ore will be milled by SAG and Ball mills and then processed by a concentrator using conventional flotation to produce a copper-gold concentrate with the flotation tailings being re-treated to recover further gold doré on site. Test work conducted by SGS Mineral Services in the UK has confirmed an overall process recovery of 86.5% for gold and 84% for copper and the PFS study is based on shipping concentrate to the Pirdop smelter in Bulgaria.

**Tailings** – Waste rock from the open pit will be used to construct the tailings embankment. Whilst the mining operation does not require significant pre-stripping, some 10Mt of inert waste rock mining has been brought forward in schedule to the construction period for a starter dam. The dam will then be raised over the mine life using the down-stream construction approach. A crusher will be located at the embankment site in order to allow engineered fill to be placed on the upstream face, which will also be lined. The plant site is situated above the tailings facility and thickeners will be utilised to produce a thickened tailings to be pumped to the facility below.

**Infrastructure** – A site plan has been developed covering haul roads, workshops, access roads from the National Highway, water balance pumping scheme and power infrastructure from the main 110kV supply some 7 kilometres from the plant have been developed for the project using Macedonian and European rates.

**Capital costs** – Capital cost estimates were developed using quotations for mobile and plant equipment and engineering studies carried out to at least pre-feasibility industry standards. The capital cost summary is presented in the table below:

#### Capital cost summary

Description (US\$ million)	Initial Capex	Sustaining Capex
Mining Fleet (incl. conveyor)	34.8	128.0
Processing Plant	249.5	(in opex)
Owners costs	10.0	-
Infrastructure	103.8	30.6
Tailings (incl. pre-strip)	58.1	47.5
Reclamation (end of mine life)	-	30.0
Sub-total	456.2	236.1
Contingency (10%)	45.6	-
<b>Total</b>	<b>501.8</b>	<b>236.1</b>

**Operating costs** – Operating costs were derived from quotations for fuel, power, consumables and reagents from suppliers in Macedonia and internationally where local costs were not verifiable and local and international labour costs as appropriate. The operating costs estimate is included in the table below:

#### Operating cost summary

Description (US\$ million)	Average Life of Mine cost (US\$/t ore)
<b>Mining</b>	
Mining - Oxide (incl. rehandle cost)	1.96
Mining - Sulphide	1.72
Mining - Waste (excl. pre-strip)	1.59
Conveyor	0.10
<b>Processing</b>	
Oxide Processing	5.23
Sulphide Processing	6.50
Infrastructure opex	0.29
G&A	1.00

**Financial analysis** – The PFS demonstrates a robust NPV at a 5% discount of US\$675 million with an IRR of 19% before tax and an after tax NPV at a 5% discount of US\$558 million and after tax IRR 16%. The following table illustrates the sensitivity to changes to the calculated IRR and NPV at 0%, 5% and 7.5% discount rates at various gold and copper prices. No assurance or guarantee is provided that the calculated IRR or NPV values will be achieved.

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### PROJECTS - CONTINUED

#### Pre-tax NPV and IRR sensitivity to metal prices

Gold (US\$/oz)	Copper (US\$/lb)	NPV @ 0% discount (US\$ m)	NPV @ 5% discount (US\$ m)	NPV @ 7.5% discount (US\$ m)	Pre-tax IRR (%)
\$ 1,100.00	\$ 2.50	757.5	284.3	146.4	11.40%
\$ 1,250.00	\$ 3.00	1,420.80	675.1	459	18.60%
\$ 1,400.00	\$ 3.50	2,084.00	1,066.00	771.6	24.90%

#### Next steps

Requests for proposals for the contract to complete the feasibility and front end engineering and design studies are now in preparation and environmental and social monitoring and water studies have been continuing on the site. Management is now working towards the completion of a definitive feasibility study in Q4 2015.

#### Karavanslija Mineralised Complex ("KMC") Copper Gold Project – Serbia

The KMC project is located in south-west Serbia, some 200 kilometres from the capital Belgrade. The licence covers 23.6 square kilometres and was renewed for an additional two years on March 20, 2014. KMC's mineralisation includes thick sequences of gold-copper skarns, gold skarns, zinc-lead-copper-gold skarns and volcanic hosted gold mineralised silica breccias.

Drilling at the KMC Medenovac target is planned later this year.

### RESULTS OF OPERATIONS

#### KEY POINTS

- First revenue recognised from Group's new exploration services business
- 1H-2014 loss before tax increases to \$3.867 million (1H-2013: \$2.926 million)
- 1H-2014 operating loss reduces to \$2.908 million (1H-2013: \$3.121 million)
- Q2-2014 loss before tax increases to \$2.671 million (Q2-2013: \$1.409 million)
- Q2-2014 operating loss slightly increases to \$1.716 million (Q2-2013: \$1.604 million)

	Quarter ended June 30		Six months ended June 30	
	2014	2013	2014	2013
<i>in thousands of Canadian dollars</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>	<b>1,266</b>	-	<b>1,266</b>	-
<b>Direct costs</b>	<b>(993)</b>	-	<b>(993)</b>	-
<b>Gross Profit</b>	<b>273</b>	-	<b>273</b>	-
<b>Expenses</b>				
Accounting, legal and professional	(119)	(262)	(268)	(459)
Depreciation	(28)	(33)	(58)	(49)
Amortisation	(5)	(2)	(11)	(2)
Office and general	(92)	(142)	(196)	(343)
Regulatory, filing and transfer agent	(10)	(12)	(22)	(48)
Rent	(84)	(78)	(167)	(147)
Salaries, director and management fees	(423)	(545)	(950)	(1,163)
Share-based payments	(1,075)	(212)	(1,144)	(390)
Shareholder communications and investor relations	(82)	(172)	(197)	(230)
Travel	(36)	(209)	(91)	(316)
Exploration and evaluation costs	(4)	-	(10)	-
Loss on foreign exchange	(31)	63	(67)	26
<b>Operating loss</b>	<b>(1,716)</b>	<b>(1,604)</b>	<b>(2,908)</b>	<b>(3,121)</b>
Finance income	-	1	-	4
Finance expense	(6)	(7)	(12)	(10)
<b>Net finance expense</b>	<b>(6)</b>	<b>(6)</b>	<b>(12)</b>	<b>(6)</b>
Loss on disposal of Euromax Services EOOD	(949)	-	(949)	-
Gain on sale of royalty right	-	201	-	201
Finance income	-	-	2	-
<b>Loss before tax</b>	<b>(2,671)</b>	<b>(1,409)</b>	<b>(3,867)</b>	<b>(2,926)</b>
Income tax expense	(6)	(4)	(22)	(23)
<b>Loss after tax</b>	<b>(2,677)</b>	<b>(1,413)</b>	<b>(3,889)</b>	<b>(2,949)</b>

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### RESULTS OF OPERATIONS - CONTINUED

#### **DETAILED ANALYSIS OF THE SIX MONTHS ENDED JUNE 30, 2014 COMPARED TO SIX MONTHS ENDED JUNE 30, 2013**

The Group recorded a net loss after tax of \$3.889 million or \$0.05 per share in 1H-2014, compared to \$2.949 million or \$0.04 per share in the six months ended June 30, 2013 ("1H-2013"). Notwithstanding this increased net loss after tax, the Group has made substantial progress in reducing its cash expenditure during 1H-2014 with the operating loss before share-based payment expenses falling 35% to \$1.764 million.

The increase in loss after tax was mainly due to the following:

- Share-based payments expense increasing \$0.754 million primarily due to the strong rise in the Company's share price during the 1H-2014 which has increased the fair value of the deferred phantom units that the Company has previously granted to its directors and key management personnel.
- Loss on sale of Euromax Services EOOD of \$0.949 million which relates primarily to the recycling of currency translation reserve losses related to Euromax Services EOOD to the income statement.
- One-off gain on sale of royalty right of \$0.201 million that was recognised in 1H-2013.

Partially offset by:

- The Group's new Exploration Services business launched in April 2014 generating a gross profit of \$0.273 million from exploration work performed. Further gross profits are anticipated over the remainder of 2014.
- Travel costs reducing \$0.225 million, accounting, legal and professional fees fell \$0.191 million and office and general expenses declined \$0.147 million as the Group continued to tightly control costs and focus on delivering the Ilovitza pre-feasibility study.
- Salaries falling \$0.213 million due to a former VP Finance leaving the company in May 2013 and a significant proportion of salaries in Bulgaria now being utilised to generate exploration services revenue.

#### **DETAILED ANALYSIS OF THE THREE MONTHS ENDED JUNE 30, 2014 COMPARED TO THREE MONTHS ENDED JUNE 30, 2013**

The Group recorded a net loss after tax of \$2.677 million or \$0.03 per share in Q2-2014, compared to \$1.413 million or \$0.02 per share in the six months ended June 30, 2013 ("Q2-2013"). Similar to the 1H-2014 results, despite this increased net loss after tax the Group has made substantial progress in reducing its cash expenditure during 1H-2014 with operating loss before share-based payment expenses falling 54% to \$0.641 million.

The increase in loss after tax was mainly due to the following:

- Share-based payments increasing \$0.863 million primarily due to the strong rise in the Company's share price during the Q2-2014 which has increased the fair value of the deferred phantom units that the Company has previously granted to its directors and key management personnel.
- Loss on sale of Euromax Services EOOD of \$0.949 million which relates primarily to the recycling of currency translation reserve losses related to Euromax Services EOOD to the income statement.
- One-off gain on sale of royalty right of \$0.201 million was recognised in Q2-2013.

Partially offset by:

- The Group's new Exploration Services business launched in April 2014 generating a gross profit of \$0.273 million from exploration work performed. Further gross profits are forecast to be generated over the remainder of 2014.
- Travel costs reducing \$0.173 million, accounting, legal and professional fees falling \$0.143 million and shareholder communications and investor relations declining \$0.09 million as the Group continued to tightly control costs and focus on delivering the Ilovitza pre-feasibility study.
- Salaries falling to \$0.122 million due to a former VP Finance leaving the Company in May 2013 and a significant proportion of salaries in Bulgaria now being utilised to generate exploration services revenue.

### SUMMARY OF QUARTERLY FINANCIAL RESULTS (unaudited)

(Expressed in thousands of dollars except per share amounts)

Quarter ended	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Net loss after tax	(2,677)	(1,209)	(4,747)	(378)	(1,413)	(1,535)	(1,921)	(1,220)
Loss per share	(0.03)	(0.01)	(0.06)	(0.00)	(0.02)	(0.02)	(0.03)	(0.02)

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## LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2014, the Group had working capital of \$0.497 million (\$1.923 million after excluding share-based payment liabilities), compared to working capital of \$1.165 million at December 31, 2013, including a cash balance of \$1.736 million (December 31, 2013: \$1.335 million).

Trade and other receivables increased sharply to \$1.045 million at June 30, 2014, compared to \$0.609 million at December 31, 2013. This is largely due to amount receivable for exploration services performed by Euromax Exploration Services EOOD during the period on behalf of its client. Substantially all of these amounts have been received subsequent to period end.

Trade and other payables have also increased to \$1.289 million at June 30, 2014, compared to \$0.890 million at December 31, 2013. Again this is largely due to Euromax Exploration Services procuring contractors and subcontractors to assist with performing exploration services for its client.

Exploration activities on the Group's projects in south-eastern Europe and the Group's general and administrative overheads have been funded by cash on hand.

### Operating Activities

Cash used in operations in Q2-2014, before changes in non-cash working capital items, was \$1.641 million which is substantially lower than Q2-2013 amount of \$2.697 million. This 39% reduction in cash used in operating activities further evidences management's strong focus on cash preservation and reducing the Group's fixed cost base.

### Financing Activities

In Q2-2014 cash used in financing activities of \$0.012 million represented interest paid. In Q2-2013 the Group completed a non-brokered private placement of \$8 million before issuing costs, received \$0.075 million from the exercise of 191,667 share options, and paid interest of \$0.01 million.

### Investing Activities

The Group received cash of \$1.910 million on investing activities in Q2-2014 which includes \$3.023 million from the sale of Euromax Services EOOD during the period. Partially offsetting this was \$1.063 million of capital expenditure on unproven mineral right interests during the six months, mainly focussed on delivering the pre-feasibility study for Ilovitza which was released on June 5, 2014, and purchases of property, plant and equipment of \$0.050 million. In Q2-2013, \$1.565 million was spent on investing activities which included capital expenditure on unproven mineral right interests of \$1.595 million, property, plant and equipment purchases of \$0.145 million and increases in restricted cash of \$0.03 million to secure the Group's mineral right interest. Offsetting these outflows was the proceeds from sale of a royalty right and other fixed assets of \$0.201 million and interest income of \$0.004 million.

The table below summarises the expenditures incurred on the Group's key projects during Q2-2014 and Q2-2013.

	Bulgaria			Macedonia	Serbia	Total
	Trun	Babjak	Zlataritza	Ilovitza	KMC	
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Balance, January 1, 2013</b>	4,552	105	181	7,219	4,670	16,727
<b>Exploration expenditures:</b>						
Assays and analysis	79	33	-	117	12	241
Drilling	-	120	-	758	169	1,047
Geological consulting	219	52	30	97	29	427
Feasibility costs	-	-	-	173	-	173
Other	96	-	11	125	2	234
	4,946	310	222	8,489	4,882	18,849
<b>Other items:</b>						
Exchange differences	173	11	7	466	232	889
<b>Balance, June 30, 2013</b>	5,119	321	229	8,955	5,114	19,738
<b>Balance, January 1, 2014</b>	-	-	-	11,552	6,057	17,609
<b>Exploration expenditures:</b>						
Assays and analysis	-	-	-	102	16	118
Feasibility costs	-	-	-	584	-	584
Social & environmental studies	-	-	-	167	-	167
Other	-	-	-	150	7	157
	-	-	-	12,555	6,080	18,635
<b>Other items:</b>						
Exchange differences	-	-	-	(192)	(211)	(403)
<b>Balance, June 30, 2014</b>	-	-	-	12,363	5,869	18,232



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### RELATED PARTY TRANSACTIONS

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

#### **Transactions with key management personnel**

(i) *Key management personnel transactions*

The Group's related parties consist of private companies owned by the Group's current or former directors and key management personnel. These companies are as follows:

Related party	Nature of transactions
Delphis Financial Strategies Inc.	Management fees
Lamar EOOD	Exploration fees

The Group incurred the following fees and expenses in connection with companies owned by directors and key management personnel. Expenses have been measured at amounts agreed between the parties. No amounts are outstanding at June 30, 2014 (2013: \$nil) as all related party transactions ended in Q2-2013.

	Six months ended June 30,	
	2014	2013
	\$000s	\$000s
Management fees	-	43
Exploration fees	-	55
	-	98

### SUBSEQUENT EVENTS

Subsequent to June 30, 2014:

On July 18, 2014 the Group announced that it had issued Investec Bank plc ("Investec") a total of 12,195,122 warrants pursuant to the letter agreement dated February 22, 2013, as amended April 3, 2014. Between the Company and Investec, the terms of which were previously announced in the Company's news releases dated January 23, 2013 and March 8, 2013. Each warrant is exercisable to acquire one common share of the Company at a price of \$0.41 until July 18, 2019.

### OTHER MD&A REQUIREMENTS

As of August 21, 2014, the Group had outstanding 85,347,340 common shares, 12,195,122 warrants exercisable at \$0.41, 6,108,739 share options, with exercise prices ranging from \$0.18 to \$1.05 per share and 1,782,073 restricted share units. Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Group's website [www.euromaxresources.com](http://www.euromaxresources.com).

### CRITICAL ACCOUNTING ESTIMATES

The Group's significant accounting policies are summarised in Note 3 of its audited consolidated financial statements for the year ended December 31, 2013. The preparation of consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board requires management to select accounting policies and make estimates and judgements that may have a significant impact on the consolidated financial statements.

The Group regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

Examples of significant estimates include:

- Carrying values of unproven mineral right interests, property, plant & equipment and intangible assets;
- Valuation of share-based payment arrangements.

Examples of significant judgements, apart from those involving estimates, include:

- The accounting policies for unproven mineral right interests and property, plant & equipment;
- Determination of functional currency.

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES**

The following risk factors, as well as risks not currently known to the Group, could materially adversely affect the Group's future business, operations and financial position and could cause them to differ materially from the estimates described in the forward-looking statements and information contained herein. The risks set out below include those that are widespread and associated with any form of business and those that are specific risks associated with the Group's business and its involvement in the exploration and mining industry generally, and in south-eastern Europe in particular. Shareholders and prospective investors should carefully consider, in light of their own financial circumstance, the factors set out herein.

#### **Global Financial Conditions**

Global financial conditions in recent years have been characterised by volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Group's ability to obtain financing in the future at all, or on reasonable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

#### **Fluctuation of Commodity Prices**

The Group's exploration and other mining activities have previously been, and may in the future be, significantly adversely affected by declines in commodity prices, particularly gold and copper. Commodity prices are volatile and are affected by numerous factors beyond the Group's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major mining countries throughout the world.

Any future serious drop in commodity prices or sustained low commodity prices could adversely impact the Group's future revenues, profits and cash flows. In particular, sustained low, or further reductions in, commodity prices could:

- reduce or eliminate the Group's ability to finance the exploration of existing and future mineral projects;
- force the Group to lose its interest in, or to sell, all or some of its properties;
- halt or delay the development of existing or new projects; and
- reduce the value of the Group's securities.

Furthermore, declining or sustained low commodity prices could impact the Group's operations by requiring a reassessment of the feasibility of any existing or new projects. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

#### **Dependence on Third Party Financing**

The Group currently has no source of operational cash flow. As a result, the Group will continue to depend on third party financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time for junior exploration and development companies to attract significant amounts of debt and/or equity. There can be no assurance that such financing will be available to the Group or, if it is, that it will be offered on acceptable terms. Failure to obtain sufficient financing, as and when required, may result in a delay or indefinite postponement of exploration or development on any or all of the Group's properties.

#### **Dilution**

The Group may require additional monies to fund development and exploration programmes and potential acquisitions. The Group cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Group's securities will have on the market price of the common shares. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial amounts of common shares, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Group's securities.

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES - CONTINUED**

#### **No Dividends**

The Group has never paid cash dividends. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends for the foreseeable future. Furthermore, the Group may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in common shares in the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Group's board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and such other factors deemed by the board of directors to be relevant at the time.

#### **Currency Risk**

The Group maintains most of its working capital in Canadian dollars. The Group currently operates in Bulgaria, Macedonia and Serbia and its operating costs are incurred in a combination of Bulgarian Lev, Macedonian Denar, Serbian Dinar, United States Dollars, British Pounds or Euros. Accordingly, the Group is subject to fluctuations in the rates of currency exchange between these currencies. The Group has not hedged its exposure to currency fluctuations.

#### **Economic and Political Instability in Foreign Jurisdictions**

The Group currently operates in Bulgaria, Macedonia and Serbia. There are risks to conducting business in foreign countries. These risks may include, among others, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war, civil disturbances, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations, delays in obtaining or the inability to obtain necessary governmental permits, authorizations and consents, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Group of its legal rights to exploit its properties may not be recognised by any foreign government or by the court system of a foreign country. These risks may limit or disrupt the Group's operations, restrict the movement of funds or result in the deprivation of mining related rights or the taking of property by nationalization or expropriation without fair compensation.

#### **Mineral Exploration**

Mineral resource exploration is highly speculative, involves substantial expenditures, and is frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. To the extent that the Group continues to be involved in exploration, the long-term success of its operations will be related to the cost and success of its exploration programmes. There can be no assurance that the Group's exploration efforts will be successful. The success of exploration is determined in part on the following factors:

- the identification of potential mineralization based on superficial analysis;
- availability of prospective land;
- availability of government-granted exploration and exploitation permits;
- the quality of management and geological and technical expertise; and
- the capital available for exploration and development.

Substantial expenditures are required to determine if a project is economically feasible. It could take several years to establish proven and probable mineral reserves and to develop and construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that current and future exploration programmes will result in the discovery of mineral reserves and the development of mines.

#### **Resource Estimates**

The mineral resource estimates presented herein are made by Group personnel and independent geologists. These estimates depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance estimates will be accurate. The inclusion of mineral resource estimates should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that such resource estimates will be converted into reserves. Different experts may provide different interpretations of resource estimates.

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES - CONTINUED**

#### **Capital and Operating Cost Risks**

The Group's forecasts and technical reports are based on a set of assumptions current as at the date of completion of these forecasts and studies. The realised operating and capital costs achieved by the Group may differ substantially owing to factors outside the control of the Group, including currency fluctuations, supply and demand factors for the equipment and supplies, global commodity prices, transport and logistics costs and competition for human resources. Though the Group incorporates a level of contingency in its assumptions, these may not be adequate depending on market conditions.

The mining business is capital intensive and the development, exploration and exploitation of mineral reserves and resources and the acquisition of machinery and equipment require substantial capital expenditure. The Group has a number of exploration and development projects which will involve significant capital expenditure to progress.

Further, the Group relies on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for the continuing exploration and development of its projects. As a result, the Group's operations at its sites are subject to a number of risks, some of which are outside the Group's control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events and failure of a supplier or contractor to perform under its agreement with the Group. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, results of operations and financial position.

#### **Operating Hazards and Other Uncertainties**

The Group's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including:

- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labour disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- unusual or unexpected geological or operating conditions;
- fire;
- changes in the regulatory environment; and
- natural phenomena such as inclement weather conditions, floods and earthquakes.

These or other occurrences could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Group could also incur liabilities as a result of pollution and other casualties all of which could be very costly and could have a material adverse effect on the Group's financial position and results of operations.

#### **Limitations on the Transfer of Cash or Other Assets**

Euromax is a Canadian company that conducts operations through foreign (principally Bulgaria, Macedonia and Serbia) subsidiaries and substantially all of Euromax's assets consist of equity in, or intercompany loans to its subsidiaries. Accordingly, any limitation on the transfer of cash or other assets between Euromax and its subsidiaries, or among its subsidiaries, could restrict the Group's ability to fund its operations efficiently.

#### **Permitting Requirements**

Mining operations require mining and other permits from the government. These permits may not be issued on a timely basis or at all, and such permits, when issued, may be subject to requirements with which it is burdensome or expensive to comply. Furthermore, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of existing permits, additional permits for any possible future changes to operations, or additional permits associated with new legislation.

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES - CONTINUED**

#### **Government Regulation**

Mineral businesses are subject to regulation and intervention by governments in such matters as the imposition of specific exploration, drilling and development obligations; environmental protection controls and control over the development and abandonment of resource (including restrictions on production). As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of commodities. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the minerals industries could reduce demand for commodities produced, increase the Group's operating costs and have a material adverse impact on the Group's results of operations and financial position.

#### **Environmental Risks**

All phases of the Group's operations are subject to environmental regulation in the various jurisdictions in which it operates. There is no assurance that the Group will have or be able to obtain all necessary environmental approvals, licenses, permits or consents or be in compliance therewith or that notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) will not occur. The lack of or inability to obtain any such approvals, licences, permits or consents or any breaches of environmental laws, may result in penalties including fines or other sanctions, breach of the conditions of a mining concession or other consent or permit with possible revocation of the concession, consent or permit. In this regard, environmental hazards may exist on the properties in which the Group has an interest which are unknown to the Group at present and which have been caused by previous or existing owners or operators of the properties.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Group's operations, or its ability to develop its properties economically.

#### **Health, Safety and Community Relations**

The Group's operations are subject to various health and safety laws and regulations that impose various duties on the Group's operations relating to, among other things, worker safety and surrounding communities. These laws and regulations also grant the authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance of such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Group's operations. The Group has made, and expects to make in the future, significant expenditure to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, create social and economic benefit in the surrounding communities.

As a mining business, the Group may come under pressure in the jurisdictions in which it operates, or will operate in the future, to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which they operate) benefit and will continue to benefit from the Group's commercial activities, and/or that the Group operates in a manner that will minimise any potential damage or disruption to the interests of those stakeholders. The Group currently maintains good relations with local communities in the areas in which it operates and has a demonstrable track record of promoting community and social relations activities for the benefit of local communities. However, the Group may face opposition with respect to its current and future development and exploration projects which could materially adversely affect the Group's business, results of operations and financial position.

Further, certain non-governmental organisations ("NGOs"), some of which oppose globalisation and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or the Group's operations specifically, could have an adverse effect on the Group's reputation and financial position and may impact its relationship with the communities in which it operates. The Group seeks to mitigate this risk by its commitment to operate in a socially responsible manner. However, there can be no guarantee that the Group's efforts in this respect will mitigate this potential risk.

The Group may also be held responsible for the costs of addressing contamination at the site of current or former activities and could be held liable for exposure to hazardous substances. The costs associated with such responsibilities and liabilities may be significant.

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### **OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES - CONTINUED**

#### **Tax Matters**

Euromax's tax residency is affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If ever Euromax was assessed to be not tax resident in Canada, it may be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this could have a material adverse effect on the Group's business, results of operations and financial condition. Further, the income tax consequences to holders of common shares would be different from those applicable if Euromax were tax resident in Canada.

#### **Litigation Risks**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Group's financial position and results of operations.

#### **Competition**

The Group faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious or base metals. The majority of these companies have greater financial resources, operational experience and technical capabilities. As a result, there can be no assurance that the Group will be able to compete successfully against other companies in acquiring new prospecting, development or mining rights.

#### **Title Matters**

The Group periodically confirms the validity of its title to, or contract rights with respect to, each mineral property in which it has a material interest. However, the Group cannot guarantee that title to its properties will not be challenged. The Group's mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, the Group might be unable to operate its properties as permitted or to enforce its rights with respect thereto.

#### **Insurance Coverage Could Be Insufficient**

While the Group maintains insurance to protect against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Group cannot insure or against which it may elect not to insure. Losses from these events may cause substantial delays and require significant capital outlays, adversely affecting future results of operations and financial position.

#### **Carrying Value of Unproven Mineral Right Interests**

Based on annual impairment reviews made by management, in the event that the long-term expectation is that the net carrying amount of certain capitalised development and exploration costs will not be recovered, then the carrying amount is written down to the appropriate fair value, with the write-down amount charged to the income statement. These write-downs could occur if: the carrying amounts of the capitalised costs exceed the related undiscounted net cash flows of reserves and/or its fair value less costs to sell; exploration activities have ceased; exploration results do not warrant further exploration for the foreseeable future; or insufficient funding is available to complete the development and exploration programme.

Expected future cash flows are inherently uncertain, and could materially change over time. They are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold and copper prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures. If any of these uncertainties occur either alone or in combination, it could require management to recognise an impairment, which could adversely affect the Group's business, results of operations and financial position.

#### **Dependence on Key Personnel**

The success of the Group and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Group may have a material adverse effect on the Group. The Group does not presently have "key person" life insurance for any of its officers.

#### **Conflicts of Interest**

Certain of the directors and officers of the Group are directors or officers of other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Group may participate, the directors of the Group may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors of the Group, a director who has such a conflict will abstain from voting for or against the approval of such matter. Furthermore, in appropriate cases the Group will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

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**FORWARD-LOOKING STATEMENTS**

This document contains statements that are forward-looking, such as those relating to results of operations and financial condition, capital spending, financing sources, commodity prices, mineral resources and property evaluation plans and programmes. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The forward-looking statements contained in this MD&A are as of the date of this document, and are subject to change after this date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Euromax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.