# Euromax Resources Ltd.

**Unaudited Condensed Consolidated Interim Financial Statements**

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

# Euromax Resources Ltd.

Condensed consolidated interim statements of comprehensive loss - unaudited

(Expressed in Canadian dollars)

| | Note | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | | $000s | $000s | $000s | $000s |
| **Revenue** | | **1,266** | - | **1,266** | - |
| **Direct costs** | | **(993)** | - | **(993)** | - |
| **Gross profit** | | **273** | - | **273** | - |
| **Operating expenses** | | | | | |
| 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)/gain on foreign exchange | | **(31)** | 63 | **(67)** | 26 |
| **Operating loss** | | **(1,716)** | (1,604) | **(2,908)** | (3,121) |
| Finance income | | **-** | 1 | **-** | 4 |
| Finance expense | | **(6)** | (7) | **(12)** | (10) |
| **Net finance expense** | | **(6)** | (6) | **(12)** | (6) |
| **Other items** | | | | | |
| Loss on disposal of Euromax Services EOOD | **8** | **(949)** | - | **(949)** | - |
| Gain on sale of royalty right | | **-** | 201 | **-** | 201 |
| Other income | | **-** | - | **2** | - |
| **Loss before tax** | | **(2,671)** | (1,409) | **(3,867)** | (2,926) |
| Income tax expense | | **(6)** | (4) | **(22)** | (23) |
| **Loss for the period** | | **(2,677)** | (1,413) | **(3,889)** | (2,949) |
| **Other comprehensive income, net of tax:** | | | | | |
| *Items that are or may be reclassified subsequently to the income statement* | | | | | |
| Net exchange differences on translation of foreign subsidiaries | | **756** | 929 | **1,277** | 947 |
| Net exchange differences on disposal of foreign subsidiaries | | **(741)** | - | **(762)** | - |
| **Total other comprehensive income, net of tax** | | **15** | 929 | **515** | 947 |
| **Comprehensive loss for the period** | | **(2,662)** | (484) | **(3,374)** | (2,002) |
| **Loss per common share** | | | | | |
| Basic and diluted | **5** | **(0.03)** | (0.02) | **(0.05)** | (0.04) |
| **Weighted average number of common shares outstanding** | | | | | |
| Basic and diluted | **5** | **85,347,340** | 85,347,340 | **85,347,340** | 79,905,980 |

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

## Condensed consolidated interim statements of financial position - unaudited

(Expressed in Canadian dollars)

| | Note | As at June 30, 2014 $000s | As at December 31, 2013 $000s |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **1,736** | 1,335 |
| Trade and other receivables | | **1,045** | 609 |
| Other current assets | | **431** | 391 |
| Assets held for sale | 8 | **-** | 3,955 |
| Total current assets | | **3,212** | 6,290 |
| **Non-current assets** | | | |
| Restricted cash | | **71** | 71 |
| Contingent consideration | 8 | **870** | - |
| Property, plant and equipment | | **240** | 305 |
| Intangible assets | | **19** | 29 |
| Unproven mineral right interests | 6 | **18,232** | 17,609 |
| Total assets | | **22,644** | 24,304 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Trade and other payables | | **1,289** | 890 |
| Share-based payment liabilities | 10(c) | **1,426** | 280 |
| Liabilities held for sale | 8 | **-** | 38 |
| Total liabilities | | **2,715** | 1,208 |
| **EQUITY** | | | |
| Share capital | 9 | **58,896** | 58,896 |
| Equity reserve | | **6,888** | 6,681 |
| Currency translation reserve | | **2,611** | 2,096 |
| Accumulated losses | | **(48,466)** | (44,577) |
| Total equity | | **19,929** | 23,096 |
| Total liabilities and equity | | **22,644** | 24,304 |

| | |
|---|---|
| Nature of operations | 1 |
| Subsequent events | 13 |

Approved on behalf of the Board of Directors

"Steve Sharpe"

Steve Sharpe, Director

"Tim Morgan-Wynne"

Tim Morgan-Wynne, Director

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

## Condensed consolidated interim statements of changes in equity - unaudited

(Expressed in Canadian dollars)

**For the six months ended June 30, 2014 and 2013**

| | Note | Share capital<br>Number of shares | Amount<br>$000s | Equity reserve<br>$000s | Currency translation reserve<br>$000s | Accumulated losses<br>$000s | Total Equity<br>$000s |
|---|---|---|---|---|---|---|---|
| Balance on January 1, 2013 | | 70,340,858 | 50,840 | 5,905 | (568) | (36,502) | 19,675 |
| Common shares issued for: | | | | | | | |
| Financing, net of issue costs | **9** | 14,814,815 | 7,913 | - | - | - | 7,913 |
| Exercise of share options | | 191,667 | 143 | (68) | - | - | 75 |
| Equity-settled share-based payments | | - | - | 401 | - | - | 401 |
| Comprehensive loss for the period | | - | - | - | 947 | (2,949) | (2,002) |
| Balance on June 30, 2013 | | 85,347,340 | 58,896 | 6,238 | 379 | (39,451) | 26,062 |
| **Balance on January 1, 2014** | | **85,347,340** | **58,896** | **6,681** | **2,096** | **(44,577)** | **23,096** |
| **Equity-settled share-based payments** | | - | - | **207** | - | - | **207** |
| **Comprehensive loss for the period** | | - | - | - | **515** | **(3,889)** | **(3,374)** |
| **Balance on June 30, 2014** | | **85,347,340** | **58,896** | **6,888** | **2,611** | **(48,466)** | **19,929** |

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

## Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2014** | **2013** |
| | **Note** | **$000s** | **$000s** |
| **OPERATING ACTIVITIES** | | | |
| Loss before tax | | **(3,867)** | (2,926) |
| *Add back:* | | | |
| Depreciation | | **58** | 49 |
| Amortisation | | **11** | 2 |
| Finance income | | **-** | (4) |
| Finance expense | | **12** | 10 |
| Share-based payments | | **1,144** | 390 |
| Gain on sale of royalty right | | **-** | (201) |
| Loss on disposal of Euromax Services EOOD | **8** | **949** | - |
| Unrealised foreign exchange expense | | **52** | (17) |
| *Changes in non-cash working capital items:* | | | |
| (Increase)/decrease in trade and other receivables and other current assets | | **(476)** | 625 |
| Increase in trade and other payables | | **657** | 60 |
| **Cash used in operating activities** | | **(1,460)** | (2,012) |
| **INVESTING ACTIVITIES** | | | |
| Expenditures on unproven mineral right interests | | **(1,063)** | (1,595) |
| Proceeds from sale of royalty right and other fixed assets | | **-** | 201 |
| Purchases of property, plant and equipment and intangible assets | | **(50)** | (145) |
| Proceeds from sale of Euromax Services EOOD | **8** | **3,023** | - |
| Decrease/(Increase) in restricted cash deposits | | **-** | (30) |
| Interest received | | **-** | 4 |
| **Cash provided by/(used in) investing activities** | | **1,910** | (1,565) |
| **FINANCING ACTIVITIES** | | | |
| Issue of common shares for cash, net of issue costs | **9** | **-** | 7,913 |
| Exercise of share options | | **-** | 75 |
| Interest paid | | **(12)** | (10) |
| **Cash (used in)/provided by financing activities** | | **(12)** | 7,978 |
| Effect of exchange rate changes on cash | | **(37)** | 69 |
| Net change in cash and cash equivalents | | **438** | 4,401 |
| Cash and cash equivalents, beginning of the period | | **1,335** | 1,762 |
| **Cash and cash equivalents, end of the period** | | **1,736** | 6,232 |

Supplemental cash flow information (Note 11)

See accompanying notes to the condensed consolidated interim financial statements.

## 1. Nature of operations

Euromax Resources Ltd. ("Euromax" or "the Company") was incorporated under the Business Corporation Act (British Columbia) and established as a legal entity on May 1, 1990. The registered address of the Company is 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5.

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

Euromax's common shares are listed on the TSX Venture Exchange under the trading symbol "EOX". Euromax's share options and warrants are not listed. These condensed consolidated interim financial statements were authorised for issue by the board of directors on August 21, 2014.

## 2. Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Group is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2013, except as detailed below:

***New accounting policies adopted in the period***

*Share-based payments*

The Group issues deferred phantom units ("DPUs") to its directors and key management personnel which are cash-settled share-based payments.

As disclosed in Note 3(m) of the December 31, 2013 consolidated financial statements, these cash-settled share-based payments are initially measured at fair value and recognised as a liability at the grant date. The liability is re-measured to fair value at each reporting date at the Group's closing share price with any changes in the fair value recognised in profit or loss. To the extent that performance conditions exist management estimates the number of DPUs that will eventually vest and recognises the liability over the vesting period.

*Revenue recognition*

Revenue from exploration services is recognised on the basis of the actual work performed at contracted rates. Revenue is only recognised where it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of any sales taxes or duties.

***New standards effective in the period***

Effective January 1, 2014, the following new and revised standards, along with any consequential amendments, have become effective. The nature and the impact of each new standard or amendment is described below:

a) **Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27**: These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group.

b) **Offsetting Financial Assets and Financial Liabilities – Amendment to IAS 32:** These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

## 2. Basis of preparation and statement of compliance (continued)

c) **Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39:** These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group.

d) **Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36:** These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no impact on the Group.

e) **IFRIC 21 *Levies*:** This new standard to be applied retrospectively is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g. IAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. These amendments have no impact on the Group.

## 3. Going concern

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

At June 30, 2014, the Group has net current assets of $0.497 million ($1.923 million if excluding share-based payment liabilities) and no borrowing facilities.

The directors have reviewed Group cash flow budgets and forecasts and have identified that further funding is required to advance the exploration and development of the Group's mineral right interests through to production and revenue generation. The board of directors remain optimistic that additional funding will be secured as the Group is presently in discussions with equity and debt providers and the Group has a track record of successfully arranging funding to continue operating in the normal course of business.

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 Group may be unable to meet its obligations as they come due in the normal course of business. Accordingly in these circumstances, the directors have concluded that this represents a material uncertainty which may cause significant doubt about the Group's ability to continue as a going concern.

## 4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2013.

## 5. Loss per share

| | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **$000s** | $000s | **$000s** | $000s |
| Net loss for the period after tax | **(2,677)** | (1,413) | **(3,889)** | (2,949) |
| Basic weighted average number of common shares | **85,347,340** | 85,347,340 | **85,347,340** | 79,905,980 |
| **Basic and dilutive loss per share** | **(0.03)** | (0.02) | **(0.05)** | (0.04) |

For the three and six months ended June 30, 2014 and 2013, because there is a reduction in loss per share resulting from the assumption that share options and warrants are exercised, the share options and warrants are considered anti-dilutive and are ignored in the computation of loss per share. As there are no other instruments that may have a potential dilutive impact, the basic and dilutive loss per share is the same.

## 6. Unproven mineral right interests

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

***Macedonia***

On July 11, 2007, the Group acquired an option to earn a 100% interest in the Ilovitza gold-copper project in Macedonia. After completing an agreed exploration programme the vendor elected not to exercise a back-in right in January 2012, therefore the Group now owns a 100% interest in Ilovitza.

The Ilovitza gold-copper project consists of two adjacent properties. On Ilovitza 6, the Group was granted a mining concession ("Concession") for the exploitation of mineral resources under the rules and regulations of the Law of Mineral Raw Materials in Macedonia. The Concession has an initial term of 30 years and will be subject to a royalty of 2% of the market value of metal contained in concentrate. The Ministry of Environment and Physical Planning in Macedonia has formally approved the Ilovitza Environmental Impact Study ("EIS") under Macedonian law for Ilovitza 6. Additionally, on July 22, 2014, the Group filed a National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") compliant Preliminary Feasibility Study ("PFS").

On Ilovitza 11 (formerly known as Ilovitza 4) the Group has an Exploration Permit ("Permit") which is valid until February 21, 2015 with an option to extend the Permit for a further two years. In the event of an economic discovery, the Group has the right to apply for a Concession for an initial term of 30 years.

***Serbia***

On June 6, 2008, the Group acquired an option to earn a 100% interest in Karavansalija Mineralised Centre ("KMC") in Serbia. Under the terms of the option agreement, the Group agreed to complete a $1.5 million exploration programme and the vendor retained certain back-in rights. In July 2011, the option agreement was amended and the vendor agreed to forego its back-in rights 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 project. The Group, through a wholly owned subsidiary, now owns a 100% interest of the KMC project, subject to these royalty obligations. The KMC Exploration Permit was originally issued on July 7, 2004 and was successfully renewed until December 31, 2015 on March 28, 2014.

***Bulgaria***

On April 28, 2014 the Group announced the sale of Euromax Services EOOD which owned 100% interests in the Trun, Babjak and Zlataritza mineral rights interests. Refer to Note 8 for further details.

A summary of changes to the Group's unproven mineral right interests in the six months ended June 30, 2014 and 2013 is set out below.

| | | Bulgaria | | Macedonia | Serbia | Total |
|---|---|---|---|---|---|---|
| | *Trun* | *Babjak* | *Zlataritza* | *Ilovitza* | *KMC* | |
| | $000s | $000s | $000s | $000s | $000s | $000s |
| **Balance, January 1, 2013** | 4,552 | 105 | 181 | 7,219 | 4,670 | 16,727 |
| **Exploration expenditures:** | | | | | | |
| 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 |
| **Other items:** | | | | | | |
| Exchange differences | 173 | 11 | 7 | 466 | 232 | 889 |
| **Balance, June 30, 2013** | 5,119 | 321 | 229 | 8,955 | 5,114 | 19,738 |
| | | | | | | |
| **Balance, January 1, 2014** | - | - | - | **11,552** | **6,057** | **17,609** |
| **Exploration expenditures:** | | | | | | |
| 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** |
| **Other items:** | | | | | | |
| Exchange differences | - | - | - | **(192)** | **(211)** | **(403)** |
| **Balance, June 30, 2014** | - | - | - | **12,363** | **5,869** | **18,232** |

## 7. Operating Segments

During the period the Group has created a new operating segment Exploration Services and substantially reduced the size of the Bulgarian operating segment via the sale of Euromax Services EOOD (refer to Note 8 for further details of this disposal).

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

| | Macedonia | | Serbia | | Bulgaria | | Exploration Services | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **June 30,** | June 30, | **June 30,** | June 30, | **June 30,** | June 30, | **June 30,** | June 30, | **June 30,** | June 30, | **June 30,** | June 30, |
| *In thousands* | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| External revenues | **-** | - | **-** | - | **-** | - | **1,266** | - | **-** | - | **1,266** | - |
| Depreciation | **(27)** | (13) | **(1)** | - | **(7)** | (27) | **(9)** | - | **(14)** | (9) | **(58)** | (49) |
| Amortisation | **-** | - | **-** | - | **(4)** | (2) | **(7)** | - | **-** | - | **(11)** | (2) |
| Segment (loss)/profit before tax | **(330)** | (421) | **(95)** | (99) | **(156)** | (491) | **95** | - | **(3,381)** | (1,915) | **(3,867)** | (2,926) |

| | Macedonia | | Serbia | | Bulgaria | | Exploration Services | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **June 30,** | December 31, | **June 30,** | December 31, | **June 30,** | December 31, | **June 30,** | December 31, | **June 30,** | December 31, | **June 30,** | December 31, |
| *In thousands* | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Segment assets | **13,264** | 12,459 | **5,914** | 6,188 | **1** | 4,124 | **1,262** | - | **2,203** | 1,533 | **22,644** | 24,304 |
| Segment liabilities | **199** | 316 | **18** | - | **-** | 40 | **702** | - | **1,796** | 852 | **2,715** | 1,208 |

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

## 8. Loss on sale of Euromax Services EOOD

At December 31, 2013 the Group classified its wholly owned Bulgarian subsidiary Euromax Services EOOD as a disposal group held for sale and recognised an impairment charge of $3.074 million.

On April 28, 2014 the Group announced the sale of Euromax Services EOOD and after receipt of all upfront consideration ($3.023 million) control passed to the purchaser on May 9, 2014.

Further, contingent consideration of $0.9 million is due ($0.5 million on December 31, 2015 and $0.4 million on December 31, 2018) subject to there being no claims from the purchaser arising under the warranties to the sale and purchase agreement, with the Group recognising the full amount of $0.9 million as receivable at June 30, 2014.

In the three and six months ended June 30, 2014 the Group has recognised a loss on disposal of Euromax Services EOOD of $0.949 million which primarily comprises the recycling of the related currency translation reserve losses to the income statement and foreign exchange losses.

## 9. Share capital

At June 30, 2014 Euromax's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

| | 2014 Number of shares | 2014 Amount | 2013 Number of shares | 2013 Amount |
|---|---|---|---|---|
| | | $000s | | $000s |
| **Balance on January 1** | **85,347,340** | **58,896** | **70,340,858** | **50,840** |
| Common shares issued for: | | | | |
| Financing, net of issue costs | - | - | 14,814,815 | 7,913 |
| Exercise of share options | - | - | 191,667 | 143 |
| **Balance on June 30** | **85,347,340** | **58,896** | 85,347,340 | 58,896 |

No common shares were issued nor share options or warrants exercised in the three and six months ended June 30, 2014.

In the six months ended June 30, 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. The Company incurred cash share issue costs of $0.087 million in connection with the 2013 private placement in respect of filing and legal costs.

At June 30, 2014, the Company had outstanding 6,108,739 share options (June 30, 2013: 6,143,854) with exercise prices ranging from $0.18 to $1.05 per share and a weighted average exercise price of $0.59 and had granted 1,782,073 restricted share units ("RSUs") (June 30, 2013: 1,072,882).

## 10. Related party transactions

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

***Transactions with key management personnel***

a. *Key management personnel transactions*

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

| | 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.

## 10. Related party transactions (continued)

***Transactions with key management personnel (continued)***

*a. Key management personnel transactions (continued)*

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

No amounts were due to private companies controlled by directors and key management personnel of the Group at June 30, 2014 (June 30, 2013: $nil) as all related party transactions ended in Q2-2013.

*b. Key management personnel compensation*

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2014 and 2013 was as follows:

| | Note | Six months ended June 30, 2014 | 2013 |
|---|---|---|---|
| | | **$000s** | $000s |
| Short-term employee benefits | (i) | **674** | 473 |
| Post-employment benefits | (ii) | **67** | 49 |
| Share-based payments | (iii), 10(c) | **1,127** | 208 |
| | | **1,868** | 730 |

(i) Short-term employee benefits also include social security contributions, exploration and management fees disclosed in Note 10(a).

(ii) Executive directors and other key management personnel receive pension contributions equal to 10% of their salary to their individual pension plans.

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

*c. Deferred Phantom Unit plan (“DPU Plan”)*

In 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the non-executive directors elected to convert their outstanding unpaid directors’ fees into DPUs in lieu of cash as payment for their directors’ fees. From April 2013, non-executive directors made semi-annual elections to receive DPUs in lieu of cash for their fees. In March 2014 all non-executive directors elected to receive DPUs in lieu of cash until September 30, 2014.

In May 2014, the Company’s Compensation Committee granted to executive directors and key management personnel a total of 8,422,643 DPUs in lieu of both a 2013 cash bonus and to provide long term incentives for key management personnel by aligning their objectives with those of shareholders, in accordance with the Company’s Executive Compensation Policy. Details of these grants are presented in the table below together with their conditions for vesting:

| Grant Date/employees entitled | Number of DPUs | Vesting conditions |
|---|---|---|
| *DPUs granted to key personnel* | | |
| On May 1, 2014 - 2013 bonus | **2,062,479** | 100% vest on December 31, 2014. |
| On May 1, 2014 - 2014 LTIP | **6,360,164** | 1/3 vest on December 31, 2014, 2015 and 2016 provided that the Company's share price performance has kept in line with the Market Vectors Junior Gold Mines ETF (GDXJ) over each respective calendar year. |
| Total DPUs | **8,422,643** | |

All DPUs issued by Euromax are cash-settled share-based payments and therefore all vested DPUs are revalued at the Company’s reporting period end share price with any fair value changes recorded in the income statement. Under the terms of the DPU plan, for each DPU that vests cash will only become payable in the event that the director or key management person leaves the Company.

The total DPUs in issue at June 30, 2014 is 10,028,702 inclusive of DPUs granted to the Company’s non-executive directors. Share-based payment liabilities of $1.426 million (2013: $0.280 million) are recognised as current at June 30, 2014. The DPU expense for the three and six months ended June 30, 2014 is $0.993 million and $0.937 million (2013: $0.011 million and $0.011 million), respectively.

## 11. Supplemental cash flow information

*Non-cash financing activities*

In the six months ended June 30, 2014 and 2013, the Group incurred the following non-cash financing transactions:

| | Six months ended June 30, | |
|---|---|---|
| | **2014** | 2013 |
| | **$000s** | $000s |
| Transfer of equity reserve upon exercise of share options | **-** | 68 |
| Transfer of equity reserve upon exercise of warrants | **-** | - |

## 12. Contingencies and commitments

The Group had the following future contractual obligations as at June 30, 2014:

| | **up to 1 year** | **1-5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|
| | $000s | $000s | $000s | **$000s** |
| Operating lease obligations | 133 | 156 | - | **289** |
| Minimum exploration obligations | 320 | 320 | - | **640** |
| **Total contractual obligations** | **453** | **476** | **-** | **929** |

## 13. Subsequent events

Subsequent to June 30, 2014 the following event occurred:

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, 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. The total fair value of the issued warrants is $1.545 million.