



UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2016 and 2015

Expressed in Canadian dollars

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**NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

# Euromax Resources Ltd.

## Condensed consolidated interim statements of loss and comprehensive loss - unaudited

(Expressed in Canadian dollars)

|   | Note     | Three months ended March 31, |                |
|---|----------|------------------------------|----------------|
|   |          | 2016<br>\$000s               | 2015<br>\$000s |
| <b>Revenue</b>  | <b>8</b> | <b>96</b>                    | <b>18</b>      |
| <b>Direct costs</b>   | <b>8</b> | <b>(80)</b>                  | <b>(27)</b>    |
| <b>Gross profit</b>   |          | <b>16</b>                    | <b>(9)</b>     |
| <b>Operating expenses</b>   |          |                              |                |
| Accounting, legal and professional  |          | (284)                        | (302)          |
| Depreciation  |          | (52)                         | (33)           |
| Amortisation  |          | (3)                          | (5)            |
| Office and general  |          | (120)                        | (134)          |
| Regulatory, filing and transfer agent                                       |          | (14)                         | (11)           |
| Rent  |          | (90)                         | (81)           |
| Salaries, director and consultant fees                                      |          | (535)                        | (786)          |
| Share-based payments  |          | (2,284)                      | (1,478)        |
| Investor and public relations   |          | (56)                         | (100)          |
| Travel  |          | (121)                        | (100)          |
| Exploration and evaluation costs  |          | (5)                          | (14)           |
| Gain/(loss) on foreign exchange   |          | 627                          | (301)          |
| <b>Operating loss</b>   |          | <b>(2,921)</b>               | <b>(3,354)</b> |
| Finance income  |          | 13                           | 1              |
| Finance expense   |          | (5)                          | (171)          |
| <b>Net finance income/(expense)</b>   |          | <b>8</b>                     | <b>(170)</b>   |
| <b>Other items</b>  |          |                              |                |
| Other income  |          | -                            | 1              |
| <b>Loss before tax</b>  |          | <b>(2,913)</b>               | <b>(3,523)</b> |
| Income tax expense  |          | (13)                         | (3)            |
| <b>Loss for the period</b>  |          | <b>(2,926)</b>               | <b>(3,526)</b> |
| <b>Loss attributable to:</b>  |          |                              |                |
| Owners of the Company   |          | (2,923)                      | (3,526)        |
| Non-controlling interest  |          | (3)                          | -              |
|   |          | <b>(2,926)</b>               | <b>(3,526)</b> |
| <b>Other comprehensive income, net of tax:</b>                              |          |                              |                |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> |          |                              |                |
| Cumulative translation adjustment on foreign subsidiaries                   |          | (531)                        | (292)          |
| <b>Total other comprehensive loss, net of tax</b>                           |          | <b>(531)</b>                 | <b>(292)</b>   |
| <b>Comprehensive loss for the period</b>                                    |          | <b>(3,457)</b>               | <b>(3,818)</b> |
| <b>Total comprehensive loss attributable to:</b>                            |          |                              |                |
| Owners of the Company   |          | (3,454)                      | (3,818)        |
| Non-controlling interest  |          | (3)                          | -              |
|   |          | <b>(3,457)</b>               | <b>(3,818)</b> |
| <b>Loss per common share</b>  |          |                              |                |
| Basic and diluted   | 5        | (0.03)                       | (0.03)         |
| <b>Weighted average number of common shares outstanding</b>                 |          |                              |                |
| Basic and diluted   | 5        | 116,842,737                  | 112,643,351    |

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)

|  |       | As at                       |                                |
|--|-------|-----------------------------|--------------------------------|
|  | Note  | March 31,<br>2016<br>\$000s | December 31,<br>2015<br>\$000s |
| <b>ASSETS</b>                                |       |                             |                                |
| <b>Current</b>                               |       |                             |                                |
| Cash and cash equivalents                    |       | 872                         | 3,405                          |
| Restricted cash                              |       | -                           | 73                             |
| Trade and other receivables                  |       | 313                         | 1,056                          |
| Other current assets                         |       | 331                         | 337                            |
| <b>Total current assets</b>                  |       | <b>1,516</b>                | <b>4,871</b>                   |
| <b>Non-current assets</b>                    |       |                             |                                |
| Contingent consideration                     |       | 472                         | 503                            |
| Property, plant and equipment                |       | 544                         | 608                            |
| Intangible assets                            |       | 15                          | 11                             |
| Unproven mineral right interests             | 6     | 29,512                      | 28,574                         |
| <b>Total assets</b>                          |       | <b>32,059</b>               | <b>34,567</b>                  |
| <b>LIABILITIES</b>                           |       |                             |                                |
| <b>Current</b>                               |       |                             |                                |
| Trade and other payables                     |       | 1,986                       | 2,376                          |
| Share-based payment liabilities              | 9 (c) | 5,318                       | 3,067                          |
| Gold purchase advance payments               | 10    | 14,651                      | 15,596                         |
| <b>Total liabilities</b>                     |       | <b>21,955</b>               | <b>21,039</b>                  |
| <b>EQUITY</b>                                |       |                             |                                |
| Share capital                                | 7     | 65,975                      | 65,975                         |
| Equity reserve                               |       | 9,636                       | 9,603                          |
| Currency translation reserve                 |       | 3,123                       | 3,654                          |
| Accumulated losses                           |       | (68,636)                    | (65,713)                       |
| Equity attributable to owners of the Company |       | 10,098                      | 13,519                         |
| Non-controlling interest                     |       | 6                           | 9                              |
| <b>Total equity</b>                          |       | <b>10,104</b>               | <b>13,528</b>                  |
| <b>Total liabilities and equity</b>          |       | <b>32,059</b>               | <b>34,567</b>                  |
| 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 three months ended March 31, 2016 and 2015

|                                     | Note | Share capital<br>Number of shares | Amount<br>\$000s | Equity<br>reserve<br>\$000s | Currency<br>translation<br>reserve<br>\$000s | Accumulated<br>losses<br>\$000s | Equity attributable to<br>owners of the Company<br>\$000s | Total<br>Non-controlling<br>interest<br>\$000s | Total<br>Equity<br>\$000s |
|-------------------------------------|------|-----------------------------------|------------------|-----------------------------|--|---------------------------------|---|--|---------------------------|
| Balance on January 1, 2015          |      | 85,347,340                        | 58,896           | 8,621                       | 1,897  | (55,424)                        | 13,990  | -  | 13,990                    |
| Common shares issued for:           |      |                                   |                  |                             |  |                                 |   |  |                           |
| Financing, net of issue costs       | 7    | 31,495,397                        | 7,079            | 492                         | -  | -                               | 7,571   | -  | 7,571                     |
| Equity-settled share-based payments |      | -                                 | -                | 263                         | -  | -                               | 263   | -  | 263                       |
| Comprehensive loss for the period   |      | -                                 | -                | -                           | (292)  | (3,526)                         | (3,818)   | -  | (3,818)                   |
| <b>Balance on March 31, 2015</b>    |      | <b>116,842,737</b>                | <b>65,975</b>    | <b>9,376</b>                | <b>1,605</b>                                 | <b>(58,950)</b>                 | <b>18,006</b>   | <b>-</b>                                       | <b>18,006</b>             |
| <b>Balance on January 1, 2016</b>   |      | <b>116,842,737</b>                | <b>65,975</b>    | <b>9,603</b>                | <b>3,654</b>                                 | <b>(65,713)</b>                 | <b>13,519</b>   | <b>9</b>                                       | <b>13,528</b>             |
| Equity-settled share-based payments |      | -                                 | -                | 33                          | -  | -                               | 33  | -  | 33                        |
| Comprehensive loss for the period   |      | -                                 | -                | -                           | (531)  | (2,923)                         | (3,454)   | (3)  | (3,457)                   |
| <b>Balance on March 31, 2016</b>    |      | <b>116,842,737</b>                | <b>65,975</b>    | <b>9,636</b>                | <b>3,123</b>                                 | <b>(68,636)</b>                 | <b>10,098</b>   | <b>6</b>                                       | <b>10,104</b>             |

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

## Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

|   | Three months ended March 31, |                |                |
|---|------------------------------|----------------|----------------|
|   | 2016                         | 2015           |                |
|   | Note                         | \$000s         | \$000s         |
| <b>OPERATING ACTIVITIES</b>   |                              |                |                |
| Loss before tax   |                              | (2,913)        | (3,523)        |
| <i>Add back:</i>  |                              |                |                |
| Depreciation  |                              | 52             | 33             |
| Amortisation  |                              | 3              | 5              |
| Finance income  |                              | (13)           | (1)            |
| Finance expense   |                              | 5              | 171            |
| Share-based payments, net of DPUs settled                                       |                              | 2,284          | 1,291          |
| Loss on disposal of property, plant and equipment                               |                              | -              | 2              |
| Unrealised foreign exchange (gain)/loss   |                              | (635)          | 71             |
| <i>Changes in non-cash working capital items:</i>                               |                              |                |                |
| Decrease/(increase) in trade and other receivables and prepayments and deposits |                              | 749            | (408)          |
| (Decrease)/increase in trade and other payables                                 |                              | (395)          | 91             |
| <b>Cash used in operating activities</b>  |                              | <b>(863)</b>   | <b>(2,268)</b> |
| <b>INVESTING ACTIVITIES</b>   |                              |                |                |
| Expenditures on unproven mineral right interests                                |                              | (1,768)        | (1,801)        |
| Purchases of property, plant and equipment and intangible assets                |                              | (10)           | (264)          |
| Proceeds from sale to non-controlling interest in advance                       |                              | -              | 100            |
| Proceeds from restricted cash deposits  |                              | 73             | -              |
| Interest received   |                              | 13             | 1              |
| <b>Cash used in investing activities</b>  |                              | <b>(1,692)</b> | <b>(1,964)</b> |
| <b>FINANCING ACTIVITIES</b>   |                              |                |                |
| Proceeds from share issue   | 7                            | -              | 6,174          |
| Share issue costs   | 7                            | -              | (303)          |
| Proceeds from gold purchase advance payments                                    |                              | -              | 9,351          |
| Transaction costs associated with gold purchase advance payments                |                              | -              | (71)           |
| Repayment of working capital loan   |                              | -              | (566)          |
| Interest paid   |                              | (5)            | (97)           |
| <b>Cash (used in)/provided by financing activities</b>                          |                              | <b>(5)</b>     | <b>14,488</b>  |
| Effect of exchange rate changes on cash   |                              | 27             | 217            |
| Net change in cash and cash equivalents   |                              | (2,560)        | 10,256         |
| Cash and cash equivalents, beginning of the period                              |                              | 3,405          | 2,041          |
| <b>Cash and cash equivalents, end of the period</b>                             |                              | <b>872</b>     | <b>12,514</b>  |

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

## Notes to the condensed consolidated interim financial statements - unaudited

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

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### 1. Nature of operations

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

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

Euromax's common shares are listed on the TSX Venture Exchange ("TSX-V") 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 Company's board of directors on May 16, 2016.

### 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, 2015, 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, 2015.

### 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 March 31, 2016, the Group had net assets of \$10.1 million (December 31, 2015: \$13.5 million) which is inclusive of cash of \$0.9 million (December 31, 2015: \$3.4 million).

On April 8, 2016 the Company announced that it had executed a term sheet ("CCC Financing") for an investment of up to US\$30.0 million and a strategic alliance with CC Mining S.A. ("CCM") which is related to Consolidated Construction Contractors ("CCC") (see Note 13). Under the term sheet, CCM would subscribe for convertible loan of \$5.2 million maturing on April 30, 2018 and convertible at \$0.40 per share. On April 29, 2016 the Company signed a convertible debenture agreement with CCM which is expected to close in the second quarter of 2016.

Additionally, on April 29, 2016, the Company announced that it has entered into a convertible loan agreement with the European Bank for Reconstruction and Development ("EBRD") for an amount of US\$5.0 million maturing on April 30, 2018 and convertible at \$0.40 per share ("EBRD Financing") (see Note 13). The EBRD Financing is expected to in the second quarter of 2016.

The CCC Financing and EBRD Financing, which are interdependent, have both received TSX-V conditional approval and have customary closing conditions for transactions of this nature. Further to the TSX-V conditional approval, with respect to the EBRD Financing, the Company must obtain consent from a majority of disinterested shareholders prior to closing. The directors are confident that the Company will obtain these consents to satisfy this TSX-V's condition to closing.

The Company's board of directors have reviewed the Group forecasts for the period to June 30, 2017, inclusive of the proceeds expected to be received from the EBRD Financing and CCC Financing together with the projected costs of completing the Front-End Engineering and Design ("FEED"), Environmental and Social Impact Assessment ("ESIA"), Macedonian Main Mining Project submission, and ongoing work to secure commitment letters from potential project finance banks.

# Euromax Resources Ltd.

## Notes to the condensed consolidated interim financial statements - unaudited (Expressed in Canadian dollars, except number of shares and per share amounts)

### 3. Going concern (continued)

Based on these Group forecasts, the expenditures required on the Ilovica gold-copper project in Macedonia ("Ilovica Project") to reach a decision to mine, together with ultimately constructing and bringing the Ilovica Project into commercial production, will require the Group to raise further debt and equity funding. Whilst the directors remain optimistic that the Group can meet the conditions precedent for further advance payments under the Gold Purchase and Sale Agreement ("GPSA") (see Note 10) or raise additional debt or equity funding, these are not wholly within the Group's control. As such, this, together with closing the EBRD Financing and CCC Financing, represents a material uncertainty which casts a significant doubt about the Group's continued ability to operate as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The preparation of 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, 2015.

### 5. Loss per share

|   | Three months ended March 31, |               |
|---|------------------------------|---------------|
|   | 2016                         | 2015          |
|   | \$000s                       | \$000s        |
| Net loss for the period after tax attributable to owners of the Company | (2,923)                      | (3,526)       |
| Basic weighted average number of common shares                          | 116,842,737                  | 112,643,351   |
| <b>Basic and diluted loss per share</b>                                 | <b>(0.03)</b>                | <b>(0.03)</b> |

For the quarters ended March 31, 2016 and 2015, 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 diluted loss per share is the same.

### 6. Unproven mineral right interests

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

#### *Macedonia*

On July 11, 2007, the Group acquired an option to earn a 100% interest in the Ilovica Project. After completing an agreed exploration programme and the vendor not exercising its back-in right in January 2012, the Group acquired a 100% interest in the Ilovica Project.

The Ilovica Project consists of two adjacent properties, Ilovica 6 and Ilovica 11. The Group was granted a Concession for exploitation of mineral resources ("Exploitation Concession") for Ilovica 6 under the rules and regulations of the Minerals Law in Macedonia. The Ilovica 6 Exploitation Concession has an initial term of 30 years and is subject to a state royalty of 2% of the market value of metals contained in concentrate. The Ministry of Environment and Physical Planning in Macedonia has formally approved the Environmental Impact Assessment Study for Ilovica 6 under the Environmental Law in Macedonia.

On January 13, 2016, the Exploitation Concession on Ilovica 11 was granted to the Group under the rules and regulations of the Minerals Law in Macedonia. This Exploitation Concession on Ilovica 11 has the same conditions as those of Ilovica 6, i.e. an initial term of 30 years and a state royalty of 2% of the market value of metals contained in concentrate.

The Group announced the Feasibility Study ("FS") for the Ilovica Project, prepared in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). A copy of this FS is available on SEDAR.



# Euromax Resources Ltd.

## Notes to the condensed consolidated interim financial statements - unaudited (Expressed in Canadian dollars, except number of shares and per share amounts)

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### 6. Unproven mineral right interests (continued)

#### *Macedonia (continued)*

On April 26, 2016, the Environmental Impact Assessment Study for Ilovica 11 was submitted to the Ministry of Environmental and Physical Planning for approval. Once approved, the Group will lodge a Main Mining Project submission for the Ilovica Project under the Minerals Law in Macedonia to obtain an Exploitation Permit.

#### *Serbia*

On June 6, 2008, the Group acquired an option to earn a 100% interest in the Karavansalija Mineralised Centre ("KMC") in Serbia. Under the terms of the option agreement, the Group agreed to complete a \$1.500 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 KMC.

The KMC exploration permit was originally issued on July 7, 2004 with an expiry date of December 31, 2013 with the ability to extend for a further two years. On March 16, 2016 the KMC exploration permit was successfully renewed for a further two years.

On April 2, 2015, the Group sold a 4% interest in the Group's Serbian subsidiary ("South Danube Metals d.o.o. Beograd" or "SDM") that owns 100% of the KMC exploration permit for US\$0.080 million (\$0.100 million). The received funds were used by the Group to complete a substantial portion of the KMC minimum work programme for the purpose of maintaining the Group's good title of the KMC exploration permit.

On October 19, 2015, the Group entered into an Option Agreement to sell its remaining 96% interest in KMC to a third party optionee ("Optionee"). In accordance with the Option Agreement, the Optionee has been granted a one year option ("Option") to acquire the Group's 96% interest in SDM for a cash payment of US\$0.500 million.

To exercise this Option the Optionee funded a minimum work programme on KMC, following which the Group has applied for and received a further two year extension to the KMC exploration permit.

This Option implies that the fair value of the Group's interest in SDM is US\$0.500 million (\$0.651 million), which resulted in an impairment charge of \$1.979 million being recorded in the year ended December 31, 2015.

# Euromax Resources Ltd.

Notes to the condensed consolidated interim financial statements - unaudited  
(Expressed in Canadian dollars, except number of shares and per share amounts)

## 6. Unproven mineral right interests (continued)

A summary of changes to the Group's unproven mineral right interests in the three months ended March 31, 2016 and 2015 is set out below.

|                                  | Macedonia<br><i>Ilovica</i> | Serbia<br><i>KMC</i> | Total         |
|----------------------------------|-----------------------------|----------------------|---------------|
|                                  | \$000s                      | \$000s               | \$000s        |
| <b>Balance, January 1, 2015</b>  | 13,655                      | 2,332                | 15,987        |
| <b>Exploration expenditures:</b> |                             |                      |               |
| Assays and analysis              | 149                         | -                    | 149           |
| Drilling                         | 863                         | 87                   | 950           |
| Feasibility costs                | 386                         | 25                   | 411           |
| Social & environmental costs     | 395                         | -                    | 395           |
| Other                            | 170                         | -                    | 170           |
|                                  | 15,618                      | 2,444                | 18,062        |
| <b>Other items:</b>              |                             |                      |               |
| Exchange differences             | (462)                       | (41)                 | (503)         |
| <b>Balance, March 31, 2015</b>   | 15,156                      | 2,403                | 17,559        |
| <b>Balance, January 1, 2016</b>  | <b>27,901</b>               | <b>673</b>           | <b>28,574</b> |
| <b>Exploration expenditures:</b> |                             |                      |               |
| Assays and analysis              | 142                         | 7                    | 149           |
| Drilling                         | 174                         | -                    | 174           |
| Geophysical contractors          | -                           | 2                    | 2             |
| Feasibility costs                | 962                         | -                    | 962           |
| Social & environmental studies   | 225                         | -                    | 225           |
| Other                            | 248                         | -                    | 248           |
|                                  | 29,652                      | 682                  | 30,334        |
| <b>Other items:</b>              |                             |                      |               |
| Exchange differences             | (796)                       | (26)                 | (822)         |
| <b>Balance, March 31, 2016</b>   | <b>28,856</b>               | <b>656</b>           | <b>29,512</b> |

## 7. Share capital and reserves

At March 31, 2016 Euromax's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

|                               | 2016                |                  | 2015                |                  |
|-------------------------------|---------------------|------------------|---------------------|------------------|
|                               | Number<br>of shares | Amount<br>\$000s | Number<br>of shares | Amount<br>\$000s |
| <b>Balance on January 1</b>   | 116,842,737         | 65,975           | 85,347,340          | 58,896           |
| Common shares issued for:     |                     |                  |                     |                  |
| Financing, net of issue costs | -                   | -                | 31,495,397          | 7,079            |
| <b>Balance on March 31</b>    | <b>116,842,737</b>  | <b>65,975</b>    | <b>116,842,737</b>  | <b>65,975</b>    |

During the three months ended March 31, 2016, no share options and no share purchase warrants were exercised.

On January 12, 2015, the Company closed a non-brokered private placement consisting of 31,495,397 common shares of the Company at a price of \$0.25 per share raising total proceeds of \$7.874 million. Of these proceeds raised \$1.700 million had been received in advance at December 31, 2014.

At March 31, 2016, the Company had outstanding 8,933,466 share options (March 31, 2015: 9,233,470) with exercise prices ranging from \$0.18 to \$1.02 per share and a weighted average exercise price of \$0.44. During the three months ended March 31, 2016, 300,000 share options with exercise prices ranging from \$0.55 to \$1.05 per share expired.

Additionally, the Company has 20,141,835 share purchase warrants (March 31, 2015: 20,141,835) with exercise prices ranging from \$0.40 to \$0.41 per share and 1,864,076 Restricted Share Units ("RSUs") (March 31, 2015: 1,535,572) outstanding at March 31, 2016.

# Euromax Resources Ltd.

## Notes to the condensed consolidated interim financial statements - unaudited

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

### 8. Operating segments

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

| Three months ended<br><i>In thousands</i> | Macedonia         |                   | Serbia            |                   | Bulgaria          |                   | Exploration Services |                   | Corporate         |                   | Total             |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | March 31,<br>2016 | March 31,<br>2015 | March 31,<br>2016 | March 31,<br>2015 | March 31,<br>2016 | March 31,<br>2015 | March 31,<br>2016    | March 31,<br>2015 | March 31,<br>2016 | March 31,<br>2015 | March 31,<br>2016 | March 31,<br>2015 |
| External revenues                         | -                 | -                 | -                 | -                 | -                 | -                 | 96                   | 18                | -                 | -                 | 96                | 18                |
| Depreciation                              | (41)              | (16)              | -                 | -                 | -                 | -                 | (8)                  | (8)               | (3)               | (9)               | (52)              | (33)              |
| Amortisation                              | (1)               | -                 | -                 | -                 | -                 | -                 | (2)                  | (5)               | -                 | -                 | (3)               | (5)               |
| Segment (loss)/profit before tax          | (220)             | (849)             | (52)              | (32)              | -                 | (28)              | (179)                | (159)             | (2,462)           | (2,455)           | (2,913)           | (3,523)           |

| As at<br><i>In thousands</i> | Macedonia         |                      | Serbia            |                      | Bulgaria          |                      | Exploration Services |                      | Corporate         |                      | Total             |                      |
|------------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|----------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
|                              | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2016    | December 31,<br>2015 | March 31,<br>2016 | December 31,<br>2015 | March 31,<br>2016 | December 31,<br>2015 |
| Segment assets               | 29,705            | 28,888               | 698               | 719                  | -                 | -                    | 529                  | 1,196                | 1,127             | 3,764                | 32,059            | 34,567               |
| Segment liabilities          | 932               | 709                  | 16                | 4                    | -                 | -                    | 109                  | 586                  | 20,898            | 19,740               | 21,955            | 21,039               |

All revenue from Exploration Services is derived from provision of exploration and evaluation services to third parties, and it is seasonally weighted to the second and third quarters of each calendar year which span the months most suitable to carrying out exploration work in south-eastern Europe. The revenue was realised from one customer (2015: one customer).

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

The Corporate operating segment includes administrative costs incurred in Canada and the United Kingdom.

# Euromax Resources Ltd.

Notes to the condensed consolidated interim financial statements - unaudited  
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## 9. Related party transactions

Details of the transactions between the Group and other related parties.

### Transactions with key management personnel

#### (a) Key management personnel transactions

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

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

|                         | Three months ended March 31, |        |
|-------------------------|------------------------------|--------|
|                         | 2016                         | 2015   |
|                         | \$000s                       | \$000s |
| Project management fees | 81                           | -      |
|                         | 81                           | -      |

At March 31, 2016, the Group owed Trentside Projects Limited \$ 0.036 million (December 31, 2015: \$0.029 million) for services rendered.

#### (b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the quarters ended March 31, 2016 and 2015 was as follows:

|                              | Note  | Three months ended March 31, |        |
|------------------------------|-------|------------------------------|--------|
|                              |       | 2016                         | 2015   |
|                              |       | \$000s                       | \$000s |
| Short-term employee benefits |       | 422                          | 296    |
| Post-employment benefits     | (i)   | 27                           | 28     |
| Redundancy payments          | (ii)  | -                            | 93     |
| Share-based payments         | (iii) | 2,284                        | 1,415  |
|                              |       | 2,733                        | 1,832  |

- (i) Executive directors and some key management personnel receive pension contributions equal to 10% of their salary to their individual pension plans.
- (ii) An officer of the Company was made redundant on January 31, 2015.
- (iii) Share-based payments relate to vesting of share options, RSUs and Deferred Phantom Units ("DPUs") granted to directors and key management personnel in current and prior periods.

#### (c) Deferred Phantom Unit Plan

In March 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the Company's non-executive directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since April 2013, non-executive directors have made semi-annual elections to receive DPUs in lieu of cash for their fees. In March 2016 all non-executive directors, except for one, elected to receive DPUs in lieu of cash until September 30, 2016.

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

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

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## Notes to the condensed consolidated interim financial statements - unaudited

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### 9. Related party transactions (continued)

#### (c) *Deferred Phantom Unit Plan (continued)*

The total DPUs in issue at March 31, 2016 is 11,891,804 (March 31, 2015: 9,598,967) inclusive of DPUs granted to the Company's non-executive directors. Share-based payment liabilities of \$5.318 million (December 31, 2015: \$3.067 million) are recognised as current at March 31, 2016. The DPU expense for the three months ended March 31, 2016 is \$2.251 million (2015: \$1.215 million).

Resulting from the redundancy of an officer of the Company on January 31, 2015, cash payments of \$0.186 million was made in respect of vested DPUs.

#### (d) *Working capital loan*

During the three months ended March 31, 2015, the Company repaid \$0.650 million (including interest of \$0.084 million) to certain directors in respect of the working capital loan provided during 2014.

### 10. Gold purchase advance payments

On October 20, 2014, the Group entered into a GPSA with Royal Gold, AG ("Royal Gold") pursuant to which the Group via its wholly-owned subsidiaries agreed to sell an equivalent of 25% of future gold production from the Ilovica Project to Royal Gold to a maximum of 525,000 ounces and then 12.5% gold produced thereafter. In consideration, Royal Gold will pay US\$175 million to the Group as an advance payment on the purchase price of Ilovica Project's future gold production.

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

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

The repayment of the advance payments is currently secured by share pledges over the Group's shares in a number of its wholly-owned subsidiaries together with security of specific intergroup transactions and balances. On June 3, 2015, the Group obtained the Concession Agreement Annex allowing for the Exploitation Concession for Ilovica 6 to be granted as security by way of assignment in favour to Royal Gold as well as to the Group's creditors. Royal Gold's first priority security interest will be subordinated to that of the permitted senior ranking debt finance under arrangements to be agreed with the senior financiers. Royal Gold's security interest falls away once its entire advance payment has been credited against gold deliveries.

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

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

On November 4, 2015, under the Second Amendment to the GPSA, the Group received part of the first anniversary payment of US\$3.75 million. The remaining part of US\$3.75 million is expecting to be received during 2016, once the conditions under the Second Amendment to the GPSA have been satisfied.

A third tranche of US\$160 million will be received, pro-rata with other funding sources, from Royal Gold over the course of the construction period for the Ilovica Project, subject to the satisfaction of certain conditions.

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

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### 10. Gold purchase advance payments (continued)

The following is a summary of the changes in the gold purchase advance payments as at March 31, 2016 and 2015:

|   | Three months ended March 31, |        |
|---|------------------------------|--------|
|   | 2016                         | 2015   |
|   | \$000s                       | \$000s |
| Balance on January 1                    | 15,596                       | -      |
| Funds received during the period        | -                            | 9,351  |
| Adjustments recorded during the period: |                              |        |
| Foreign exchange movements              | (945)                        | 130    |
| Capitalised transaction costs           | -                            | (382)  |
| Amortisation of transaction costs       | -                            | 159    |
| Balance on March 31                     | 14,651                       | 9,258  |

Transaction costs that were incurred in 2015 in respect of closing the GPSA and drawdown of the initial tranche from Royal Gold were fully amortised during 2015.

### 11. Contingencies and commitments

The Group had the following future contractual obligations as at March 31, 2016:

|                                      | up to 1 year | 1-5 years | Over 5 years | Total     |
|--------------------------------------|--------------|-----------|--------------|-----------|
|                                      | \$000s       | \$000s    | \$000s       | \$000s    |
| Operating lease obligations          | 78           | -         | -            | 78        |
| Other contractual obligations        | 9            | -         | -            | 9         |
| <b>Total contractual obligations</b> | <b>87</b>    | <b>-</b>  | <b>-</b>     | <b>87</b> |

### 12. Non-controlling interest ("NCI")

On April 2, 2015, the Group sold a 4% interest in SDM for \$0.100 million (US\$0.080 million). At March 31, 2016, the carrying amount of the NCI is \$0.006 million (December 31, 2016: \$0.009 million) and the related loss attributable to NCI for the period ended March 31, 2016 is \$0.003 million (March 31, 2015: \$nil).

### 13. Subsequent events

Subsequent to March 31, 2016 the following reportable events have occurred:

#### **CC Mining S.A. Financing**

On April 8, 2016 the Company announced that it had entered into a term sheet for an investment of up to US\$30.0 million and a strategic alliance with CCM which is related to CCC in respect for supporting of certain construction activities for the Ilovica Project. Under the CCC Financing, CCM may provide up to US\$30.0 million in three tranches for funding and development of the Ilovica Project:

- Primary Convertible Loan Tranche: CCM will subscribe \$5.2 million for a convertible loan note to be issued by the Company with an interest rate of 9% per annum, which matures on May 30, 2018 and may be converted into common shares of the Company at a price of \$0.40 per share.

On April 29, 2016 the Company signed a convertible debenture agreement with CCM.

- Secondary Equity Tranche: On or prior to December 31, 2016, CCM will at its discretion subscribe for a minimum of US\$5.0 million in common shares of the Company at a subscription price equal to 90% of the lower of (i) the then prevailing market price, or (ii) the 20 day volume weighted average price ("VWAP") prior to the date of the announcement of the Secondary Equity Tranche.
- Third Subordinated Loan Tranche: Together with the Secondary Equity Tranche, CCM has provided an in-principle commitment to provide at its discretion a 10-year subordinated, secured loan facility of up to US\$20.0 million at an interest rate of 6 month LIBOR plus 8% per annum.

The Secondary Equity Tranche and the Third Subordinated Loan Tranche commitments are conditional on the Ilovica Project development and CCM board approval at that time.

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### 13. Subsequent events (continued)

#### *EBRD Financing*

On April 29, 2016, the Company announced that it had entered into convertible loan agreement (“EBRD Convertible Loan”) with EBRD for an investment of US\$5.0 million (“Principle Amount”) for ongoing development for the Ilovica Project.

The EBRD Convertible Loan has a stated maturity of April 30, 2018, or if earlier, upon an equity raise of an agreed amount. Upon maturity of the EBRD Convertible Loan, in addition to repayment of the Principle Amount, the Company will be required to pay an amount of US\$1.420 million (“Redemption Amount”). The EBRD Convertible Loan also contains provisions whereby, in the event that the Company has not secured sufficient financing commitments for the construction and development of the Ilovica Project by December 31, 2016, a fee of US\$0.150 million (“Fee”) will become payable and interest will be accrued on the loan from January 1, 2017 until maturity at an interest rate of 3 months LIBOR plus 7% per annum (“Interest”).

The EBRD Convertible Loan will be convertible in whole or in part at any time following disbursement, at the election of EBRD; the Principle Amount will be converted at \$0.40 per share whereas the Redemption Amount, as well as, if applicable, the Fee and Interest, will be convertible at the lower of (i) the market price of the of the common shares of the Company on the last day prior to EBRD serving a conversion notice; and (ii) the 20-day VWAP of the common shares preceding such date, in each case discounted as permitted by the TSX-V. Conversion of any part of the Principal Amount, the Redemption Amount, the Interest and the Fee will always remain at the EBRD’s full discretion subject to the above provisions.

Disbursement of the EBRD Convertible Loan is conditional on, amongst other things, receipt of written shareholder consent by no later than June 30, 2016 from the holders of at least 50% of the outstanding common shares of the Company, other than those common shares held by EBRD, of the terms of the loan agreement, and for the EBRD to become a “control person” (as defined under the rules of the TSX-V).