Euromax
RESOURCES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

Expressed in Canadian dollars

Euromax Resources Ltd.

December 31, 2016 and 2015

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Independent auditor’s report to the shareholders of Euromax Resources Ltd

We have audited the consolidated financial statements of Euromax Resources Ltd. and subsidiaries (the “Group”) for the years ended December 31, 2016 and December 31, 2015 which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion on financial statements

In our opinion the consolidated financial statements present fairly in all material respects, the financial position of Euromax Resources Ltd. and subsidiaries as at December 31, 2016 and December 31, 2015, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to Note 3(a) in the consolidated financial statements concerning the Group’s ability to continue as a going concern. Management has prepared cash flow forecasts which indicate the Group will require additional funding within the next 12 months. As described in Note 3 (a), management is optimistic that the Group can raise additional debt or equity funding however, these are not fully within the Group’s control.

Accordingly in these circumstances, management has concluded that this represents a material uncertainty which may cause significant doubt about the Group’s ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

/s/ Deloitte LLP

Chartered Accountants and Statutory Auditor
London, UK
March 24, 2017

Euromax Resources Ltd.

Consolidated statements of loss and comprehensive loss

(Expressed in Canadian dollars)

	Note	Years ended December 31, 2016 $000s	2015 $000s
Revenue	**6**	**5,473**	4,729
Direct costs	**6**	**(4,419)**	(4,005)
Gross profit		**1,054**	724
Operating expenses			
Accounting, legal and professional		**(1,750)**	(1,512)
Depreciation	**8**	**(201)**	(168)
Amortisation	**6**	**(9)**	(19)
Office and general		**(512)**	(521)
Regulatory, filing and transfer agent		**(204)**	(42)
Rent		**(460)**	(341)
Salaries, director and consultant fees		**(2,874)**	(2,112)
Share-based payments	**11 (d)**	**(5,875)**	(2,141)
Investor and public relations		**(556)**	(271)
Travel		**(635)**	(592)
Exploration and evaluation costs		**(71)**	(56)
Expense recoveries		**171**	-
Loss on foreign exchange		**(832)**	(885)
Operating loss		**(12,754)**	(7,936)
Finance income	**6**	**19**	1
Finance expense	**6**	**(1,574)**	(435)
Fair value loss on financial liabilities	**12 (b)**	**(3,612)**	-
Net finance expense		**(5,167)**	(434)
Other items			
Loss on disposal of subsidiary	**7**	**(569)**	-
Impairment of unproven mineral right interests	**7**	**-**	(1,979)
Other income		**9**	24
Loss before tax		**(18,481)**	(10,325)
Income tax expense	**16 (a)**	**(46)**	(47)
Loss for the year		**(18,527)**	(10,372)
(Loss) / profit attributable to:			
Owners of the Company		**(18,533)**	(10,289)
Non-controlling interest		**6**	(83)
		(18,527)	(10,372)
Other comprehensive (loss) / income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Cumulative translation adjustment on foreign subsidiaries		**(1,363)**	1,757
Recycling of exchange losses on disposal of foreign subsidiaries		**548**	-
Total other comprehensive (loss) / income, net of tax		**(815)**	1,757
Comprehensive loss for the year		**(19,342)**	(8,615)
Total comprehensive (loss) / profit attributable to:			
Owners of the Company		**(19,348)**	(8,532)
Non-controlling interest		**6**	(83)
		(19,342)	(8,615)
Loss per common share			
Basic and diluted	**5**	**(0.16)**	(0.09)
Weighted average number of common shares outstanding			
Basic and diluted	**5**	**116,842,737**	115,807,272

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of financial position

(Expressed in Canadian dollars)

	Note	As at December 31, 2016 $000s	December 31, 2015 $000s
ASSETS			
Current assets			
Cash and cash equivalents		**1,063**	3,405
Restricted cash		**-**	73
Trade and other receivables		**236**	1,056
Other current assets		**203**	337
Total current assets		**1,502**	4,871
Non-current assets			
Contingent consideration	**9**	**488**	503
Property, plant and equipment	**8**	**462**	608
Intangible assets		**10**	11
Unproven mineral right interests	**7**	**34,464**	28,574
Total assets		**36,926**	34,567
LIABILITIES			
Current liabilities			
Trade and other payables		**2,148**	2,376
Share-based payment liabilities	**11 (d)**	**8,659**	3,067
Gold purchase advance payments	**13**	**15,150**	15,596
Total current liabilities		**25,957**	21,039
Non-current liabilities			
Loans and borrowings	**12**	**15,738**	-
Total liabilities		**41,695**	21,039
EQUITY			
Share capital	**10 (a)**	**65,975**	65,975
Equity reserve		**9,886**	9,603
Convertible loan reserve		**762**	-
Currency translation reserve		**2,839**	3,654
Accumulated losses		**(84,231)**	(65,713)
Equity / (deficit) attributable to owners of the Company		**(4,769)**	13,519
Non-controlling interest	**18**	**-**	9
Total equity / (deficit)		**(4,769)**	13,528
Total liabilities and equity		**36,926**	34,567
Nature of operations	**1**		
Subsequent events	**20**		

Approved on behalf of the Board of Directors

"Steve Sharpe"

Steve Sharpe, Director

"Tim Morgan-Wynne"

Tim Morgan-Wynne, Director

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of changes in equity

(Expressed in Canadian dollars)

For the years ended December 31, 2016 and 2015

	Note	Share capital Number of shares	Amount $000s	Equity reserve $000s	Convertible loan reserve $000s	Currency translation reserve $000s	Accumulated losses $000s	Total equity / (deficit) attributable to owners of the Company $000s	Non-controlling interest $000s	Total equity / (deficit) $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	**10**	31,495,397	7,079	492	-	-	-	7,571	-	7,571
Change in ownership interest		-	-	-	-	-	-	-	92	92
Equity-settled share-based payments	**11 (d)**	-	-	490	-	-	-	490	-	490
Comprehensive loss for the period		-	-	-	-	1,757	(10,289)	(8,532)	(83)	(8,615)
Balance on December 31, 2015		116,842,737	65,975	9,603	-	3,654	(65,713)	13,519	9	13,528
Balance on January 1, 2016		**116,842,737**	**65,975**	**9,603**	**-**	**3,654**	**(65,713)**	**13,519**	**9**	**13,528**
Equity component of convertible loans	**12 (b)**	**-**	**-**	**-**	**762**	**-**	**-**	**762**	**-**	**762**
Equity-settled share-based payments	**11 (d)**	**-**	**-**	**283**	**-**	**-**	**-**	**283**	**-**	**283**
Comprehensive loss for the period		**-**	**-**	**-**	**-**	**(815)**	**(18,533)**	**(19,348)**	**6**	**(19,342)**
Disposal of subsidiary with non-controlling interest	**18**	**-**	**-**	**-**	**-**	**-**	**15**	**15**	**(15)**	**-**
Balance on December 31, 2016		**116,842,737**	**65,975**	**9,886**	**762**	**2,839**	**(84,231)**	**(4,769)**	**-**	**(4,769)**

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

		Years ended December 31,	
		2016	2015
	Note	**$000s**	$000s
OPERATING ACTIVITIES			
Loss before tax		**(18,481)**	(10,325)
Add back:			
Depreciation	**8**	**201**	168
Amortisation	**6**	**9**	19
Finance income	**6**	**(19)**	(1)
Finance expense	**6**	**1,574**	435
Other income		**(9)**	(24)
Share-based payments, net of deferred phantom units settled	**11 (d)**	**5,875**	1,955
Share-based payments to suppliers	**11 (d)**	**-**	16
Loss on disposal of property, plant and equipment	**8**	**-**	9
Unrealised foreign exchange loss		**636**	361
Loss on disposal of subsidiary	**7**	**569**	-
Impairment charge on unproven mineral right interests	**7**	**-**	1,979
Expensed transaction costs associated with convertible loans	**12 (b)**	**312**	-
Fair value loss on financial liabilities	**12 (b)**	**3,612**	-
Changes in working capital items:			
Decrease / (increase) in trade and other receivables and prepayments and deposits		**911**	(831)
(Decrease) / increase in trade and other payables		**(355)**	458
Income tax paid		**(33)**	(93)
Cash used in operating activities		**(5,198)**	(5,874)
INVESTING ACTIVITIES			
Expenditures on unproven mineral right interests		**(8,365)**	(12,443)
Purchases of property, plant and equipment and intangible assets		**(116)**	(513)
Proceeds from disposal of subsidiary	**7 , 9**	**650**	605
Proceeds from sale to non-controlling interest	**18**	**-**	100
Proceeds from restricted cash deposits		**73**	-
Interest received		**19**	1
Cash used in investing activities		**(7,739)**	(12,250)
FINANCING ACTIVITIES			
Proceeds from convertible loans	**12 (b)**	**11,765**	-
Transaction costs associated with convertible loans	**12 (b)**	**(925)**	-
Proceeds from share issue	**10 (a)**	**-**	6,174
Share issue costs	**10 (a)**	**-**	(303)
Proceeds from gold purchase advance payments	**13**	**-**	15,495
Transaction costs associated with gold purchase advance payments	**13**	**-**	(391)
Repayment of working capital loan	**14 (c)**	**-**	(742)
Interest paid		**(25)**	(145)
Cash provided by financing activities		**10,815**	20,088
Effect of exchange rate changes on cash		**(220)**	(600)
Net change in cash and cash equivalents		**(2,122)**	1,964
Cash and cash equivalents, beginning of the period		**3,405**	2,041
Cash and cash equivalents, end of the period		**1,063**	3,405

See accompanying notes to the consolidated financial statements.

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 10th Floor, 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5.

These consolidated 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.

Until July 8, 2016 Euromax's common shares were listed on the TSX Venture Exchange ("TSX-V"), under the trading symbol "EOX". From July 11, 2016 Euromax's common shares graduated to the Toronto Stock Exchange ("TSX") under the same trading symbol. Additionally, from August 5, 2016 Euromax's common shares commenced trading on the OTCQX under the trading symbol "EOXFF". Euromax's share options and warrants are not listed.

These consolidated financial statements were authorised for issue by the Company's board of directors on March 24, 2017.

2. Basis of preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with and in full compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Details of the Group's accounting policies are set out in Note 3.

(b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency, except where otherwise indicated.

(c) Adoption of new and revised standards and interpretations

The accounting policies applied are consistent with those adopted and disclosed in the Group's financial statements for the year ended December 31, 2015 except for changes arising from the adoption of new accounting pronouncements listed below.

- IFRS 14 Regulatory Deferral Accounts – *effective from January 1, 2016*
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) – *effective from January 1, 2016*
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38) – *effective from January 1, 2016*
- Equity Method in Separate Financial Statements (Amendments to IAS 27) – *effective from January 1, 2016*
- Annual Improvements to IFRSs 2012-2014 Cycle – *effective from January 1, 2016*
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) – *effective from January 1, 2016*
- Disclosure Initiative (Amendments to IAS 1) – *effective from January 1, 2016*

None of these new accounting pronouncements listed above had a significant impact on the Group's consolidated financial statements.

2. Basis of preparation (continued)

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

The IASB has also issued the following new standards, amendments to standards and interpretations that are effective for periods beginning after January 1, 2017 and have not been applied in preparing these consolidated financial statements. Those which might be relevant to the Group are set out below.

- IFRS 9 Financial Instruments – *effective from January 1, 2018*

  Classification – financial assets and liabilities

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model (how assets are managed and characteristics of their cash flows), therefore defining three principal classification categories for all financial assets: measured at amortised cost, fair value through other comprehensive income or loss and fair value through profit or loss.

  IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at fair value through profit or loss are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

  - the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income or loss; and
  - the remaining amount of change in the fair value is presented in profit or loss.

  Impairment – financial assets

  IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income or loss, except for investments in equity instruments, and to contract assets.

  Management anticipates that IFRS 9 may potentially impact the treatment of the Group's convertible loan with the European Bank for Reconstruction and Development ("EBRD"). Further analysis in respect of that, as well as on potential impact of ECL model will be undertaken in 2017 to determine the full impact of IFRS 9 on the Group's consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers – *effective from January 1, 2018*

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised, based on a five-step model.

  The Group has started an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements. For now, the Group is providing exploration services and related revenue is recognised on the basis of the actual work performed at contracted rates. Revenue is measured at the fair value of the consideration received or receivable net of any sales taxes or duties. Under IFRS 15, total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices.

  Management does not expect IFRS 15 to significantly impact on the timing of revenue recognition of the Group's exploration services revenue. Further analysis will be performed and in 2017 to determine the full impact of IFRS 15 on the Group's consolidated financial statements.

- IFRS 16 Leases – *effective from January 1, 2019*

  IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items.

  The potential impact of applying IFRS 16 would be recognition of new assets and liabilities for the Group's operating leases of office premises and warehouse, as well as changing the nature of related expenses whereby depreciation charge for right-of-use assets and interest expense on leased liabilities would replace the currently used straight-line operating lease expense.

  Management does not expect IFRS 16 to significantly impact on the Group's consolidated financial statements.

2. Basis of preparation (continued)

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

- Disclosure Initiative (Amendments to IAS 7) – *effective from January 1, 2017*
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) – *effective from January 1, 2017*
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) – *effective from January 1, 2018*
- Sales or Construction of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – *the effective date will be further determined*

The Group is still evaluating the impact of these pronouncements on future consolidated financial statements.

3. Summary of significant accounting policies

(a) Going concern

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

At December 31, 2016 the Group had net liabilities of $4.8 million (2015: net assets of $13.5 million) and a net working capital deficiency of $24.5 million (2015: $16.2 million) including cash of $1.1 million (2015: $3.4 million). The Group’s $24.5 million working capital deficiency at December 31, 2016 largely results from the gold purchase advance payments received from Royal Gold and share-based payment liabilities owing to the Group’s directors and officers in lieu of fees and bonus payments which are both classified as current liabilities as contractually repayment may be required within the next twelve months.

As at the date of these accounts, no termination or repayment notice has been received by the Group from Royal Gold or any of it directors or executives and therefore these amounts are not currently due and payable.

On March 14, 2017 the Group has announced the closing of a non-brokered private placement of 3,325,582 common shares at a price of $0.43 to a consortium of investors raising net proceeds of $1.43 million (“March 2017 Private Placement”).

The Company’s board of directors have reviewed the Group’s forecasts for the period to March 31, 2018, including all projected costs of completing the Environmental and Social Impact Assessment for the Ilovica-Shtuka gold-copper project in Macedonia (“Ilovica-Shtuka Project”), obtaining all necessary permits for the Ilovica-Shtuka Project (including urbanisation and land acquisition activities), engineering work that will establish a guaranteed maximum price for the Ilovica-Shtuka Project’s construction and completion of legal, technical and financial due diligence with potential project finance banks.

Based on these forecasts and notwithstanding the proceeds from the March 2017 Private Placement, the directors have identified that further funding will be required to reach a construction decision. Additionally the Group will be required to raise further debt and funding to ultimately construct and bring the Ilovica-Shtuka Project into commercial production.

Whilst the directors remain optimistic that the Group can raise additional debt or equity funding, this is not wholly within the Group’s control. As such, this 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.

3. Summary of significant accounting policies (continued)

(b) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interest ("NCI")

NCI are measured at their proportional share of the acquiree's identified net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's subsidiaries at exchange rates at the dates of the transactions. Functional currencies of the Group's subsidiaries are disclosed in Note 19.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

3. Summary of significant accounting policies (continued)

(c) Foreign currency (continued)

(i) Foreign currency transactions (continued)

However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income or loss ("OCI"):

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Canadian dollars using average exchange rates that reasonably approximate the exchange rate at the transaction date.

Foreign currency differences are recognised in OCI and accumulated in the currency translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, than the relevant proportion of the cumulative translation differences is allocated to NCI. When the Group disposes of only part of an associate or joint venture while remaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Revenue recognition

Rendering of services

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.

(e) Employees benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

3. Summary of significant accounting policies (continued)

(f) Financial income and financial costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- net gain or loss on financial liabilities designated at fair value through profit or loss.

Interest income or expense is recognised using the effective interest method.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of the asset until the asset is substantially ready for its intended use. Other borrowing costs, including those related to the Group's unproven mineral right interests, are recognised as an expense in the period incurred.

(h) Leases

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(i) Income taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3. Summary of significant accounting policies (continued)

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, including capitalised borrowing costs, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of all items of property, plant and equipment are from two to ten years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if applicable.

(iv) Derecognition

An item of property, plant and equipment is derecognised upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss.

(k) Intangible assets

(i) Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight line method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful life of the Group's intangible assets is up to two years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. Summary of significant accounting policies (continued)

(l) Unproven mineral right interests

The Group capitalises into unproven mineral right interests all costs, net of any recoveries, of acquiring, exploring and evaluating an unproven mineral right interest, until the determination of the technical and commercial viability of extracting the mineral resource.

Such costs capitalised may include the cash consideration and/or fair value of shares issued on the acquisition of mineral right interests, exploration drilling and assaying, technical reports, and directly attributable employee costs of performing exploration and evaluation activities on unproven mineral right interests.

These capitalised costs are considered to be an intangible asset in nature and will be amortised on a units of production basis upon commissioning a mining operation, or written-off if the rights are disposed of, impaired or abandoned.

No amortisation is charged during the exploration and evaluation phase.

(m) Share-based payment arrangements

The Group maintains a restricted share unit (“RSUs”) plan and a stock option plan for its employees and consultants, which are both equity-settled share-based payments. The Group also issues deferred phantom units (“DPUs”) to its non-executive directors and key executives which are cash-settled share-based payments.

Equity-settled share-based payments are recognised as an expense, together with a corresponding increase in equity, over their relevant vesting period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Equity-settled share-based payments are measured by reference to the fair value at the grant date. Fair value of the stock options is determined using a Black-Scholes option pricing model, which relies on estimates of the future risk-free interest rate, future dividend payments, future share price volatility and the expected life of the options. The Group believes this model adequately captures the substantive features of the stock options granted and is appropriate to calculate their fair value.

Where the Group grants equity instruments for services received from a third party, these services are measured, together with a corresponding increase in equity, at the fair value of the services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments granted at the grant date represents the fair value of these services.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

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 at each reporting date and recognises the liability over the vesting period.

3. Summary of significant accounting policies (continued)

(n) Financial instruments

The Group classifies non-derivative financial assets as loans and receivables; while non-derivative financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual right to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial asset that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligation are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – Measurement

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any provision for impairment.

(iii) Non-derivative financial liabilities – Measurement

Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss. All directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments

Derivatives are initially measured at fair value, and changes therein are recognised in profit or loss. All directly attributable transaction costs are recognised in profit or loss as incurred.

(o) Share capital

(i) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

(p) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in Canadian dollars that can be converted to ordinary shares at the option of the holder, whereby the number of shares to be issued is fixed, regardless of changes in their fair value.

3. Summary of significant accounting policies (continued)

(p) Compound financial instrument (continued)

The liability component of compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportional to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is classified as other financial liabilities, measured at amortised cost using the effective interest method. The equity component is not re-measured upon initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion the financial liability is reclassified to equity and no gain or loss is recognised.

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(r) Impairment

(i) Non-derivative financial assets

Financial assets measured at amortised cost are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired include:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers; or
- observable data including that there is a measurable decrease in the expected cash flows from a group of financial assets.

The Group considers evidence of impairment of these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified.

Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between as asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets (other than unproven mineral right interests)

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the assets belong.

3. Summary of significant accounting policies (continued)

(r) Impairment (continued)

(ii) Non-financial assets (other than unproven mineral right interests) (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of the asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

If the carrying amount of the asset or CGU subsequently increased, the recognised impairment loss might be reversed but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Unproven mineral right interests

The Group reviews the carrying amounts of mineral rights annually or when there are indicators of impairment and recognises an impairment charge based upon current exploration results, plans for further activity and, where projects are sufficiently progressed, an assessment of the probability of profitable exploitation or sale of the rights. An indication of impairment on a specific licence/permit may include but is not limited to: the expiration of the Group's right to explore; substantive expenditure is neither budgeted nor planned; or the Group has decided to discontinue exploration activity.

Upon the technical feasibility and commercial viability of extracting the mineral resource being demonstrable, related capitalised costs of that mineral resource are tested for impairment, before their reclassification.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of economic benefits will be required to settle the obligation, provided that the amount of the obligation can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The unwinding of the discount is recognised as a finance cost.

(i) Provisions for site restoration

Obligations to retire a non-financial asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs that gives rise to such an obligation. The Group is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Group may be found to be responsible for damage caused by prior owners and operators of its unproven mineral right interests and in relation to interests previously held by the Group. The Group believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalised cost of the related non-financial asset. The liability is increased over time through periodic charges to profit and loss. The provision is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Group is not presently aware of any such obligations.

3. Summary of significant accounting policies (continued)

(t) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principle or, in its absence, the most advantageous market to which the Group has assess at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for that asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be significant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Measurement of fair values

The Group's accounting policies and disclosure, for both share-based payments and a convertible loan ("EBRD convertible loan") from the EBRD, require using assumption and estimation for the measurement of fair values.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable).

If the input used to measure the fair value of an asset or a liability fall into different levels of fair value hierarchy, then the fair value measurement is categorised in its entirely in the same level of fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 4.

4. Use of significant estimates

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The estimates viewed by management as having the most significant impact on these consolidated financial statements are discussed below:

4. Use of significant estimates (continued)

(a) Recoverability of unproven mineral right interests (Note 7)

The Group reviews the carrying value of its unproven mineral right interests to determine whether there is any indication that those assets are impaired which includes whether there are plans for further activity and exploration. The recoverable amount where calculated may be based on assumptions about future events or circumstances and estimates and assumptions may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalised is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

(b) Equity-settled share-based payment arrangements (Note 11)

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

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

(c) Recognition and measurement of convertible loans (Note 12)

A convertible loan ("CCI convertible loan") from CC Ilovitza ("CCI" a member of the CCC Group), is a compound financial instrument. As such on initial recognition, the loan must be split into a liability component and an equity component. The liability component recognised has been determined by fair valuing the convertible loan using a relevant market interest rate that would apply to a similar loan that does not contain an equity conversion right. The equity component is calculated as the residual amount of the calculated liability component and the face value of the convertible loan.

Separately the EBRD convertible loan, does not meet the definition of a compound financial instrument and therefore is accounted for as a financial liability at fair value through profit or loss. The fair value of the EBRD convertible loan is calculated via an internally prepared model that separately values the loan amount (on a discounted cash flow basis) and the conversion option using a Black-Scholes valuation methodology.

5. Loss per share

	Years ended December 31,	
	2016	2015
	$000s	$000s
Net loss for the period after tax attributable to owners of the Company	**(18,533)**	(10,289)
Basic weighted average number of common shares	**116,842,737**	115,807,272
Basic and diluted loss per share	**(0.16)**	(0.09)

For the years ended December 31, 2016 and 2015 because there is a reduction in loss per share resulting from the assumption that share options, warrants and convertible loans are exercised or converted, all these instruments 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. Operating segments

The Group's primary business is the exploration and development of mineral right interests and its secondary business is the provision of exploration services to third party resource companies. The Group's board of directors (the Group's Chief Operating Decision Maker) has arranged the Group's operating segments by both type of business and by geographic region. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable segments are as follows:

Reportable segments	Business description	Geographic location
Macedonia	Exploration and development of the Ilovica-Shtuka Project	Macedonia
Serbia	Exploration of the KMC Project	Serbia
Bulgaria	Exploration of various precious and base metal projects	Bulgaria
Exploration Services	Provision of exploration services	Bulgaria
Corporate	Corporate and administrative activities	Canada and UK

On September 29, 2016 the Group disposed of its Serbian reportable segment ("South Danube Metals d.o.o. Beograd" or "SDM") (See Note 7). The Group's remaining subsidiary within the Bulgaria reportable segment, Martern EOOD, was liquidated during February 2015.

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:

	Macedonia		Serbia		Bulgaria		Exploration Services		Corporate		Total	
For the years ended	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,
In thousands $	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
External revenues	**-**	-	**-**	-	**-**	-	**5,473**	4,729	**-**	-	**5,473**	4,729
Finance income	**17**	-	**-**	-	**-**	-	**-**	-	**2**	1	**19**	1
Finance expense	**(3)**	(12)	**(1)**	(1)	**-**	-	**(7)**	(2)	**(1,563)**	(420)	**(1,574)**	(435)
Depreciation	**(157)**	(114)	**(1)**	(1)	**-**	-	**(36)**	(32)	**(7)**	(21)	**(201)**	(168)
Amortisation	**(3)**	(9)	**-**	-	**-**	-	**(6)**	(10)	**-**	-	**(9)**	(19)
Impairment of unproven mineral right interests	**-**	-	**-**	(1,979)	**-**	-	**-**	-	**-**	-	**-**	(1,979)
Segment (loss)/gain before tax	**(2,765)**	(2,492)	**(38)**	(2,104)	**-**	(28)	**429**	135	**(16,107)**	(5,836)	**(18,481)**	(10,325)

	Macedonia		Serbia		Bulgaria		Exploration Services		Corporate		Total	
As at	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,	**December 31,**	December 31,
In thousands $	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Segment assets	**35,002**	28,888	**-**	719	**-**	-	**1,047**	1,196	**877**	3,764	**36,926**	34,567
Segment liabilities	**786**	709	**-**	4	**-**	-	**91**	586	**40,818**	19,740	**41,695**	21,039

All revenue from Exploration Services operating segment 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 programmes in south-eastern Europe. The revenue from one major customer represented $5.434 million (2015: one customer $4.256 million) of the Group's total revenue.

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.

7. Unproven mineral right interests

The Group is currently engaged in exploring mineral property in Macedonia, while its only asset in Serbia was sold during 2016.

Macedonia

On July 11, 2007 the Group acquired an option to earn a 100% interest in the Ilovica-Shtuka 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-Shtuka Project.

The Ilovica-Shtuka 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-Shtuka Project, prepared in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) on January 6, 2016. A copy of it is available on SEDAR.

On July 22, 2016 following the earlier submission of an Environmental Impact Assessment Study for Ilovica 11 and a Main Mining Project submission, an application for the Exploitation Permit for the Ilovica-Shtuka Project was submitted for approval.

Serbia

On September 29, 2016 the third party optionee (“Optionee”) exercised its one year option (“Option”) under the option agreement (“Option Agreement”) to acquire the Group’s remaining 96% interest in SDM that owns 100% of the Karavansalija Mineralised Centre (“KMC”) exploration permit, for $0.650 million (US$0.500 million).

On disposal, the Group has recognised a loss of $0.569 million (2015: $nil) for the period, which mainly represents the recycling of the related currency translation reserve losses to the income statement in accordance with accounting standards.

In the year ended December 31, 2015 an impairment charge of $1.979 million was recorded in respect of the KMC exploration permit, resulting from the Group entering the Option Agreement for selling of its 96% interest in SDM.

7. Unproven mineral right interests (continued)

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

	Macedonia *Ilovica-Shtuka*	Serbia *KMC*	Total
	$000s	$000s	$000s
Balance, January 1, 2015	13,655	2,332	15,987
Exploration expenditures:			
Assays and analysis	506	28	534
Drilling	3,012	89	3,101
Feasibility costs	5,348	-	5,348
Social & environmental costs	2,818	-	2,818
Other	845	14	859
	26,184	2,463	28,647
Other items:			
Impairment of mineral properties	-	(1,979)	(1,979)
Exchange differences	1,717	189	1,906
Balance, December 31, 2015	27,901	673	28,574
Balance, January 1, 2016	**27,901**	**673**	**28,574**
Exploration expenditures:			
Assays and analysis	**451**	**-**	**451**
Drilling	**544**	**-**	**544**
Feasibility costs	**5,941**	**-**	**5,941**
Social & environmental studies	**981**	**-**	**981**
Other	**620**	**-**	**620**
	36,438	**673**	**37,111**
Other items:			
Disposal of unproven mineral rights	**-**	**(642)**	**(642)**
Exchange differences	**(1,974)**	**(31)**	**(2,005)**
Balance, December 31, 2016	**34,464**	**-**	**34,464**

8. Property, plant & equipment

The Group's property, plant and equipment at December 31, 2016 and 2015 are as follows:

	Vehicles	Office equipment	Field equipment	Leasehold improvements	Total
	$000s	**$000s**	**$000s**	**$000s**	**$000s**
Cost					
Balance at January 1, 2015	334	103	212	14	663
Acquisitions	196	123	102	95	516
Disposals	(32)	(13)	-	-	(45)
Foreign exchange movement	36	18	22	11	87
Balance at December 31, 2015	534	231	336	120	1,221
Acquisitions	**32**	**32**	**24**	**2**	**90**
Disposals	**(15)**	**-**	**(3)**	**-**	**(18)**
Foreign exchange movement	**(34)**	**(24)**	**(21)**	**(10)**	**(89)**
Balance at December 31, 2016	**517**	**239**	**336**	**112**	**1,204**
Accumulated depreciation					
Balance at January 1, 2015	231	72	131	5	439
Depreciation	60	37	48	23	168
Disposals	(23)	(13)	-	-	(36)
Foreign exchange movement	18	10	12	2	42
Balance at December 31, 2015	286	106	191	30	613
Depreciation	**72**	**41**	**52**	**36**	**201**
Disposals	**(15)**	**-**	**(3)**	**-**	**(18)**
Foreign exchange movement	**(20)**	**(17)**	**(12)**	**(5)**	**(54)**
Balance at December 31, 2016	**323**	**130**	**228**	**61**	**742**
Carrying amount					
At December 31, 2015	248	125	145	90	608
At December 31, 2016	**194**	**109**	**108**	**51**	**462**

8. Property, plant & equipment (continued)

Additions were related to the Macedonian (2016: $0.045 million; 2015: $0.458 million), the Exploration Services (2016: $0.041 million; 2015: $0.049 million) and the Corporate operating segments (2016: $0.004 million; 2015: $0.009 million).

All disposals during 2016 were related to the Exploration Services ($0.012 million) and the Serbian ($ 0.006 million) operating segments, while all disposals during 2015 were related to the Macedonian ($0.032 million) and Corporate ($0.013 million) operating segments.

9. Contingent consideration

On April 28, 2014 the Group announced the sale of Euromax Services EOOD and after receipt of all upfront consideration of $3.023 million control passed to the purchaser on May 9, 2014. Further, contingent consideration amounting to US$0.816 million ($1.108 million) was receivable from the purchaser subject to no claims arising under the warranties of the sale and purchase agreement.

On December 22, 2015 US$0.453 million ($0.605 million) was received from the purchaser. The remaining amount of US$0.363 million ($0.488 million) is expected to be received by December 31, 2018 and has been recognised as a non-current receivable at December 31, 2016.

10. Share capital and reserves

(a) Share capital

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

	2016 Number of shares	Amount	2015 Number of shares	Amount
		$000s		**$000s**
Balance on January 1	**116,842,737**	**65,975**	85,347,340	58,896
Common shares issued for:				
Financing, net of issue costs	-	-	31,495,397	7,079
Balance on December 31	**116,842,737**	**65,975**	116,842,737	65,975

On January 12, 2015 the Company closed the 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 was received in advance of December 31, 2014.

The Company incurred share issue costs of $0.303 million in connection with the Private Placement in respect to filing and legal costs, of which $0.283 million was allocated to share capital and $0.020 million to share purchase warrants (see Note 10(c)) via the equity reserve.

During the years ended December 31, 2016 and 2015 no share options and no share purchase warrants were exercised.

(b) Nature and purpose of reserves

(i) Equity Reserve

The equity reserve comprises the accumulated fair value of share options and restricted share units recognised as share-based payments (see Note 11), as well as share purchase warrants. Transfers from the equity reserve to share capital are made whenever common share options or share purchase warrants are exercised and when restricted share units fully vest and convert to common shares.

(ii) Convertible Loan Reserve

The convertible loan reserve comprises the equity component of the CCI convertible loan, closed during May 2016 (see Note 12 (b)).

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

10. Share capital and reserves (continued)

(b) Nature and purpose of reserves (continued)

(iii) Currency Translation Reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements or foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

(c) Share Purchase Warrants

During the year ended December 31, 2016, no share purchase warrants were issued.

On January 12, 2015 as part of the Private Placement, 7,946,713 share purchase warrants were issued with each share purchase warrant exercisable to acquire one common share of the Company at a price of $0.40 until January 12, 2020. The fair value of the share purchase warrants issued was estimated at $0.492 million net of share issues cost of $0.020 million ($0.06 per share purchase warrant at the grant date) using the Black-Scholes option pricing model.

The weighted average assumptions used for calculating the fair value of the share purchase warrants issued during the year ended December 31, 2015 are presented in the following table:

Year ended	December 31, 2015
Risk free interest rate	1.17%
Expected life	5 years
Expected volatility	50.00%
Expected dividend per share	$Nil

A summary of the outstanding warrants in 2016 and 2015 is as follows:

	2016		2015	
	Number of warrants Number	**Weighted average exercise price $**	Number of warrants Number	Weighted average exercise price $
Balance, beginning of year	**20,141,835**	**0.41**	12,195,122	0.41
Warrants granted	-	-	7,946,713	0.40
Balance, end of year	**20,141,835**	**0.41**	20,141,835	0.41

11. Share-based payment arrangements

(a) Description of share-based payment arrangements

At December 31, 2016, the Group had the following share-based payment arrangements:

(i) Stock Option Plan (Equity settled)

Euromax has a Stock Option Plan (“Option Plan”) under which directors, executive officers, employees and consultants of the Group are eligible to receive share options. The purpose of the Option Plan is to incentivise directors, executive officers, employees and consultants to provide beneficial services to the Group and to align their objectives with shareholders in maximising shareholder value.

The maximum number of shares reserved for issuance upon exercise of all share options granted under the Option Plan is equal to 10% of the issued and outstanding common shares at the time of grant. The Company’s Compensation Committee determines the terms and vesting conditions of the options at the time of grant.

The exercise price of each option equals the closing share price of Euromax’s common shares on the day preceding the date of grant. If a director, executive officer, employee or consultant ceases employment or engagement with the Group, any unvested share options are forfeited and the expiry date on their vested options is reduced to 90 days from the date they cease employment or engagement.

During the year ended December 31, 2016, 3,000,000 share options were granted with an exercise price of $0.43 per share, while 300,003 share options expired with exercise prices ranging from $0.55 to $1.05 per share.

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

11. Share-based payment arrangements (continued)

(a) Description of share-based payment arrangements (continued)

(i) Stock Option Plan (Equity settled) (continued)

The key terms and conditions related to the grants under the Option Plan are as follows:

Grant date	Number of options as at December 31, 2016	Vesting conditions	Contractual life of options
Options granted to Directors and Officers			
On May 23, 2012	**2,409,996**	Fully vested	5 years
On June 6, 2012	**250,000**	Fully vested	5 years
On November 8, 2012	**66,667**	Fully vested	5 years
On March 12, 2013	**1,516,803**	Fully vested	5 years
On December 4, 2013	**240,000**	Fully vested	5 years
On January 22, 2015	**1,650,000**	Fully vested	5 years
On January 22, 2015	**2,050,000**	1/3 on December 31, 2015, 2016 and 2017	5 years
On August 25, 2015	**400,000**	1/3 on August 25, 2016, 2017 and 2018	5 years
On July 11, 2016	**3,000,000**	1/3 on July 11, 2017, 2018 and 2019	5 years
Options granted to Consultants			
On August 15, 2012	**100,000**	Fully vested	5 years
On October 23, 2014	**150,000**	Fully vested	5 years
On March 24, 2015	**100,000**	Fully vested	3 years
Total share options	**11,933,466**		

(ii) Restricted Share Unit Plan (Equity settled)

On March 11, 2013 Euromax established a Restricted Share Unit Plan ("RSU Plan") under which directors and executive officers of the Group are eligible to receive RSUs. The purpose of the RSU Plan is to assist and encourage directors and executive officers to work towards and participate in the growth and development of the Group. The RSU Plan is an equity settled share-based payment arrangement.

The maximum number of RSUs reserved for issuance under the RSU Plan is equal to 10% of the issued and outstanding common shares at the time of grant, provided that the combined number of share options and RSUs in issue does not exceed 10% of the outstanding common shares at the time of grant. The Company's Compensation Committee determines the terms and provisions of the RSUs at the time of grant.

The Compensation Committee has determined the Market Vectors Junior Gold Mines ETF ("GDXJ") to be a relevant benchmark to assess the Company's share price performance. To the extent that the Company's share price underperforms the GDXJ the number of RSUs vesting shall reduce on a pro-rata basis. To the extent that the Company's share price outperforms the GDXJ additional RSUs shall be awarded on a proportionate basis.

If a director or executive officer ceases employment with the Group any unvested RSUs are forfeited on the date they cease employment.

The key terms and conditions related to the grants under the RSU Plan are as follows. All RSUs are to be settled by the issue of common shares.

Grant date	Number of RSUs as at December 31, 2016	Vesting conditions
RSUs granted to Executive Directors and Officers		
On March 11, 2013 - Bonus 2012	**246,960**	100% vested on December 31, 2013
On March 11, 2013 - LTIP 2013 grant	**664,256**	1/3 vest on December 31, 2013, 2014 and 2015 provided that the Company's share price performance has kept in line with the GDXJ over each respective calendar year.
On December 4, 2013 - LTIP 2013 grant	**120,000**	1/3 vest on December 31, 2014, 2015 and 2016 provided that the Company's share price performance has kept in line with the GDXJ over each respective calendar year.
On January 9, 2014 - GDXJ outperformance in 2013	**24,356**	100% vested on December 31, 2014
On May 1, 2014 - LTIP 2014 grant	**480,000**	1/3 vest on December 31, 2014, 2015 and 2016 provided that the Company's share price performance has kept in line with the GDXJ over each respective calendar year.
On January 5, 2016 - GDXJ outperformance in 2015	**328,504**	100% vested on December 31, 2016
Total RSUs	**1,864,076**	

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

11. Share-based payment arrangements (continued)

(a) Description of share-based payment arrangements (continued)

(ii) Restricted Share Unit Plan (Equity settled) (continued)

Notwithstanding the vesting conditions stated above, the Company's board of directors has agreed with the executive officers who had RSUs due to vest on December 31, 2013, 2014, 2015 and 2016 to postpone the vesting of their RSUs to at least December 31, 2017. In return the Company agreed that in the event of the termination of the executive officer's employment for any reason or death, prior to the postponed vesting date, the RSUs would vest in full, notwithstanding provisions to the contrary in the RSU Plan.

(iii) Deferred Phantom Units Plan (Cash settled)

On March 11, 2013 Euromax introduced a Deferred Phantom Unit Plan ("DPU Plan") for its directors and key management personnel. Under the terms of the DPU 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 September 2016 all non-executive directors, except for one, elected to receive DPUs in lieu of cash until March 31, 2017.

All DPUs issued only become payable in the event that a director or executive officer ceases to hold any position within the Group and can only be settled in cash. In that respect, 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 (see Note 14(b)).

The key terms and conditions related to the grants under the DPU Plan are as follows:

Grant date	Number of DPUs as at December 31, 2016	Vesting conditions
DPUs granted to Non-Executive Directors		
From March 11, 2013 to December 31, 2015	**2,915,821**	Fully vested
During 2016	**599,778**	Fully vested
DPUs granted to Executive Directors and Officers		
On May 1, 2014 - Bonus 2013	**1,810,092**	Fully vested
On May 1, 2014 - LTIP 2014 grant	**5,451,569**	Fully vested
On January 5, 2016 - GDXJ outperformance in 2015	**1,570,053**	Fully vested
On July 11, 2016 - Bonus 2015	**946,400**	Fully vested
Total DPUs	**13,293,713**	

The Compensation Committee has determined the GDXJ to be a relevant benchmark to assess the Company's share price performance. To the extent that the Company's share price outperforms the GDXJ additional DPUs will be granted to executive directors and officers. In that respect, subsequent to year end, an additional grant of 27,257 DPUs was made resulting from the Company's share price outperforming the GDXJ during the year ended December 31, 2016. These DPUs vested immediately and the related expense accrued in full at December 31, 2016.

(b) Measurement of fair values

(i) Stock Option Plan

The fair value of the share options awarded to directors, executive officers, and employees has been measured using the Black-Scholes option pricing model. The value of the share options awarded to consultants has been measured as the fair value of the services rendered. Service and non-market performance conditions attached to the share options were not taken into account in measuring fair value.

The inputs used in measuring the grant date fair value of the share options issued are presented below:

All amounts are weighted averages	**Year ended December 31, 2016**	Year ended December 31, 2015
Fair value at grant date	$0.19	$0.12
Share price at grant date	$0.43	$0.27
Exercise price	$0.43	$0.27
Expected volatility	50.00%	50.00%
Expected life	5.00 years	5.00 years
Expected dividend per share	$Nil	$Nil
Risk-free interest rate (based on Canadian government bonds)	0.53%	0.81%

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

11. Share-based payment arrangements (continued)

(b) Measurement of fair values (continued)

(i) Stock Option Plan (continued)

Expected volatility was based on management's evaluation of the volatility of the Company's share price. The expected term was determined based on management's expectation that share options will be exercised close to their expiry.

(ii) Restricted Share Unit Plan

The fair value of RSUs granted during the period has been measured using the Company's closing share price on the day immediately prior to grant date. For those RSUs with a vesting condition relating to the Company's share price performance compared to the GDXJ, this is a market performance vesting condition so at grant date it is estimated that the Company's share price performance should be consistent with the GDXJ's price performance.

(iii) Deferred Phantom Units Plan

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 GDXJ, this is a market performance vesting condition so at grant date it is estimated that the Company's share price performance should be 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.

(c) Reconciliation of outstanding share options and RSUs

(i) Stock Option Plan

The number and weighted-average exercise prices of the share options under the Option Plan as at December 31, 2016 and 2015 were as follows:

	2016		2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at January 1	**9,233,469**	**$0.45**	6,001,239	$0.58
Granted during the year	**3,000,000**	**$0.43**	4,200,000	$0.27
Expired during the year	**(300,003)**	**$0.78**	(775,734)	$0.47
Forfeited during the year	-	-	(192,036)	$0.62
Outstanding at December 31	**11,933,466**	**$0.44**	9,233,469	$0.45
Exercisable at December 31	**6,483,466**	**$0.50**	6,543,469	$0.52

The options outstanding at December 31, 2016 have an exercise price in the range of $0.18 to $1.02 (2015: $0.18 to $1.05) and a weighted-average contractual life of 2.54 years (2015: 2.79 years).

No share options were exercised in 2016 and 2015.

(ii) Restricted Share Unit Plan

The number and weighted-average grant prices of the RSUs as at December 31, 2016 and 2015 were as follows:

	2016		2015	
	Number of RSUs	**Weighted average grant price**	Number of RSUs	Weighted average grant price
Outstanding at January 1	**1,535,572**	**$0.26**	1,782,073	$0.26
Granted during the year	**328,504**	**$0.24**	-	-
Expired during the year	-	-	(246,501)	$0.27
Outstanding at December 31	**1,864,076**	**$0.26**	1,535,572	$0.26
Exercisable at December 31	**1,864,076**	**$0.26**	935,572	$0.31

11. Share-based payment arrangements (continued)

(d) Expense recognised in profit or loss

The total equity-settled share-based payment expenses for the year ended December 31, 2016 was $0.283 million (2015: $0.490 million, of which $0.016 million related to share options granted for services performed). The total cash-settled share-based payment expense in the year ended December 31, 2016 was $5.592 million (2015: $1.667 million) and as at December 31, 2016, the share-based payment liability was $8.659 million (2015: $3.067 million).

12. Loans and borrowings

	December 31, 2016	December 31, 2015
	$000s	$000s
EBRD convertible loan	**11,187**	-
CCI convertible loan	**4,551**	-
	15,738	-

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

				December 31, 2016		December 31, 2015	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
				$000s	**$000s**	$000s	$000s
EBRD convertible loan	US$	14.20%	2018	**6,734**	**11,187**	-	-
CCI convertible loan	$	9.00%	2018	**5,200**	**4,551**	-	-
				11,934	**15,738**	-	-

EBRD convertible loan

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US$5.0 million ($6.565 million) ("Principal Amount").

The EBRD convertible loan matures on April 30, 2018 or earlier, upon an equity financing of at least US$50 million ("Maturity"). Upon Maturity, the Company will be required to pay/convert the Principal Amount, an amount of US$1.420 million ($1.913 million) ("Redemption Amount") and a finance delay fee of US$0.150 million ($0.202 million) ("Fee"). From January 1, 2017 until the Maturity, a finance delay interest will accrue on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum ("Interest") compounded quarterly.

The EBRD convertible loan is convertible into the Company's common shares in whole or in part at the election of EBRD. The Principal Amount will be converted at $0.40 per common share, whereas the Redemption Amount, the Fee and the Interest, will be convertible at the lower of (i) the market price of the Company's common shares on the last day prior to the EBRD serving a conversion notice; and (ii) the 20-day volume weighted average price ("VWAP") of the Company's common shares preceding such date, in each case discounted as permitted by the TSX, and subject to TSX approval.

CCI convertible loan

On May 20, 2016 the Company closed the CCI convertible loan with CCI and received proceeds of $5.2 million.

The CCI convertible loan matures on April 30, 2018 and incurs a fixed interest rate of 9% per annum compounded daily and which is repayable at maturity.

At maturity, CCI can elect to receive cash repayment or convert the CCI convertible loan into the Company's common shares at a conversion price of C$0.40 per common share. CCI can also elect to settle accrued interest on the CCI convertible loan in cash or convert such amount into the Company's common shares at the prevailing share price on the maturity date, subject to approval by the TSX.

12. Loans and borrowings (continued)

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	
	$000s
Proceeds from convertible loan	**6,565**
Foreign exchange movements	**169**
Face value at December 31, 2016	**6,734**
Accrued interest	**823**
Fair value adjustment	**3,612**
Foreign exchange movements	**18**
Carrying amount at December 31, 2016	**11,187**

The EBRD convertible loan is classified as financial liability at fair value through profit or loss. All attributable transaction costs ($0.312 million), together with any accrued interest, foreign exchange movements and fair value adjustments are recognised in profit or loss.

The fair value of the EBRD convertible loan is calculated via an internally prepared model that separately values the loan amount on a discounted cash flow basis and the conversion option using a Black-Scholes option pricing model. The market observable information assumptions used, of which the most significant is the Company's share price, have been applied consistently to a range of scenarios based on management's future financing plans.

A probability weighting has been applied to each scenario using management's best estimate of the likelihood of each scenario occurring. This probability weighting is categorised as a level 3 non-market observable assumption under IFRS 13 and hence results in the EBRD convertible loan valuation being a level 3 valuation (see Note 15(c)(i) for further details).

The fair value of the EBRD convertible loan at December 31, 2016 was assessed at $11.187 million (US$8.307 million), which has resulted in fair value loss of $3.612 million (US$2.684 million) being incurred for the year ended December 31, 2016 (2015: $nil).

CCI convertible loan

CCI convertible loan	
	$000s
Proceeds from convertible debenture notes	**5,200**
Transaction costs	**(613)**
Net proceeds	**4,587**
Amount classified as equity (net of transaction costs of $0.101 million)	**(762)**
Accrued interest	**555**
Amortisation of transaction costs	**171**
Carrying amount at December 31, 2016	**4,551**

The CCI convertible loan is a compound financial instrument, whereby a liability component and an equity component have been determined at initial recognition. The liability component of $4.337 million has been measured by fair valuing the convertible loan using a relevant market interest rate that would apply to an equivalent loan that does not contain an equity conversion option. The remaining amount of $0.863 million was recognised as the equity element.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method.

Transaction costs of $0.613 million, incurred for closing of the CCI convertible loan were allocated on a proportional basis to the liability component ($0.512 million) and equity element ($0.101 million). Transaction costs allocated to the liability component will be fully amortised until April 30, 2018.

13. Gold purchase advance payments

On October 20, 2014 the Group entered into a Gold Purchase and Sale Agreement ("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-Shtuka 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-Shtuka 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, the Group 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 Group 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 Group 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. The Group 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.

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

Under the provisions of GPSA, in case of its termination, advance payments need to be repaid in full within 60 days of received termination notice.

The following is a summary of the changes in the GPSA advance payments as at December 31, 2016 and 2015:

	2016	2015
	$000s	$000s
Balance on January 1	**15,596**	-
Funds received during the period	-	15,495
Adjustments recorded during the period:		
Foreign exchange movements	(446)	101
Capitalised transaction costs	-	391
Amortisation of transaction costs	-	(391)
Balance on December 31	**15,150**	15,596

Transaction costs amounting to $0.391 million were incurred in respect of closing the GPSA and drawdown of the initial tranche from Royal Gold.

14. 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 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-Shtuka 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.

	Years ended December 31,	
	2016	**2015**
	$000s	$000s
Project management fees	**300**	194
	300	194

At December 31, 2016, the Group owed Trentside Projects Limited $0.025 million (December 31, 2015: $0.029 million) for services rendered in December 2016.

(b) Key management personnel compensation

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

	Note	Years ended December 31, 2016	2015
		$000s	$000s
Short-term employee benefits		**2,055**	1,366
Post-employment benefits	(i)	**98**	107
Redundancy payments	(ii)	**-**	93
Share-based payments	(iii)	**5,875**	2,114
		8,028	3,680

(i) Executive directors and some key management personnel receive pension contributions ranging from 5% 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 are the cost of share options, RSUs and DPUs granted to directors and key management personnel.

(c) Working capital loan

During the first half of 2015, the Company fully repaid a working capital loan of $0.742 million to its directors, provided during 2014, together with associated interest of $0.111 million.

15. Financial instruments

(a) Management of capital risk

The capital structure of the Group consists of both debt, comprising loans and borrowings, and equity, comprising share capital, various reserves and accumulated losses. The Group manages its capital in order for it to continue as a going concern and meet its debts as and when they fall due and payable. Until such time as the Group's Ilovica-Shtuka Project is cash-generating, the Group's key objectives are to preserve capital and maximise shareholder value.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may attempt to issue new securities, raise debt finance or use other financing alternatives.

The Group is not subject to externally imposed capital requirements.

15. Financial instruments (continued)

(b) Financial risk management

The Group is exposed to a number of financial risks such as market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's board of directors has the overall responsibility for risk management and seeks to manage and minimise these risks as far as possible.

The Group does not currently hedge these risks using derivative financial instruments but will consider doing so in future periods, where possible. The Group does not enter into or trade financial instruments for speculative purposes.

(i) Foreign Currency risk

The Group operates across a number of countries and is therefore exposed to foreign currency risk arising from various foreign currency exposures, principally with respect to US Dollars, British Pounds, Bulgarian Levs, Macedonian Denars and Euros.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at December 31, 2016 and 2015 are as follows:

		Liabilities		Assets
	2016	**2015**	**2016**	**2015**
	$000s	$000s	**$000s**	$000s
US Dollars	**26,378**	15,785	**581**	2,506
British Pounds	**724**	1,103	**157**	571
Macedonian Denars	**448**	162	**139**	460
Bulgarian Levs	**91**	587	**964**	1,116
Euros	**112**	12	**37**	496
Others	**207**	180	**7**	130

Based on the above foreign currency exposures as at December 31, 2016 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian Dollar would result in an increase/decrease of approximately $2.607 million in the Group's loss for the period (2015: $1.255 million).

The Group's sensitivity to foreign currency fluctuations, which has increased during the year, is principally caused by the US Dollar-denominated Gold Purchase Advance Payments from Royal Gold (see Note 13) and also the US Dollar-denominated EBRD Convertible Loan (see Note 12).

(ii) Interest rate risk

The Group is exposed to interest rate risk because the Group entered into convertible loans with EBRD (at a fixed interest rate and a floating interest rate applied from January 1, 2017) and with CCI (at a fixed interest rate) during the year. The Group's exposures to interest rates on financial liabilities are detailed in Note 12.

The performed sensitivity analysis is based on a 50 basis point movement higher/lower in the floating interest rate applied to the EBRD convertible loan. In such a scenario, and assuming all other variables are held constant, the Group's loss for the period would increase/decrease by $0.036 million.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises generally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

<u>Trade and other receivables</u>

The Group's Exploration Services operating segment issues invoices for services rendered and these are generally up to 15 day credit terms. Based on customer payment histories and management's experience, no allowance for doubtful debts was held at December 31, 2016 (2015: $nil).

At December 31, 2016 the amount of trade receivables past due but not impaired was $0.002 million (2015: $nil).

15. Financial instruments (continued)

(b) Financial risk management (continued)

(iii) Credit risk (continued)

Trade and other receivables (continued)

Apart from the Exploration Services operating segment the nature of the business activity of the Group does not result in trade receivable, but does have amounts receivable in respect of value added taxes which are receivable from tax authorities in the UK, Canada and Macedonia. Based on payment histories and management experience the risk of non-recovery of these receivables is considered negligible.

Contingent consideration

At December 31, 2016 the Group had contingent consideration of $0.488 million (US$0.363 million) resulting from the sale of Euromax Services EOOD in April 2014 (see Note 9). Based on Group management's ongoing discussions with the purchaser and their past payment history, no indication of impairment existed at December 31, 2016 (2015: $nil).

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk through the management of its capital structure and financial leverage. Management is cognisant of the Group's scarce cash resources and ensures that sufficient cash is available before committing to contracts and agreements.

The contractual maturities of financial liabilities, including estimated interest payments at the reporting date are presented below:

		Contractual cash flows		
December 31, 2016	**Carrying amount**	**3 months or less**	**3-12 months**	**1-2 years**
	$000s	**$000s**	**$000s**	**$000s**
Trade and other payables	**2,148**	**2,148**	**-**	**-**
Gold purchase advance payments	**15,150**	**-**	**-**	**-**
Loans and borrowings	**15,738**	**-**	**-**	**15,209**
	33,036	**2,148**	**-**	**15,209**

		Contractual cash flows		
December 31, 2015	**Carrying amount**	**3 months or less**	**3-12 months**	**1-2 years**
	$000s	$000s	$000s	$000s
Trade and other payables	2,376	2,376	-	-
Gold purchase advance payments	15,596	-	-	-
	17,972	2,376	-	-

Under the GPSA with Royal Gold, gold purchase advance payments will be settled-off with future gold sales, however those are classified as current liabilities until all conditions precedent for the third tranche have been satisfied. See Note 13 for further details.

Loans and borrowings represents both EBRD and CCI convertible loans (their carrying amounts are disclosed in Note 12(a)), while contractual cash payments at maturity date are $8.984 million and $6.225 million, respectively. In addition, contractual cash payments for the EBRD convertible loan are influenced by foreign currency exposure of Canadian Dollars against US Dollars (disclosed in Note 15(b)(i)), as well as by fluctuations in 3 month LIBOR rate (disclosed in Note 15(b)(ii)). However, related contractual cash payments may be preserved if those convertible loans are converted into the Company's common shares (see Note 12(a) for further details).

15. Financial instruments (continued)

(c) Categories of financial instruments and measuring fair values

(i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of the reporting period. The table below provides information about the valuation techniques and inputs used for determining the fair values of these financial liabilities.

Financial liability	Fair value as at December 31,		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2016 $000s	2015 $000s				
Share-based payment liabilities	**8,659**	3,067	Level 1	Quoted prices in an active market	None	None
EBRD convertible loan	**11,187**	-	Level 3	Internally developed model that values the loan amount (on a discounted cash flow basis) and the conversion option using the Black-Scholes option pricing model. The key inputs to the model include contract and market interest rates, foreign exchange rates and the Company's share price.	A probability weighting is applied to two scenarios by management using its best estimate in respect of the likely maturity date of the convertible loan.	An increase or decrease in the probability weighting applied by management would increase or decrease the fair value of the loan. The fair value determined by the two scenarios modelled ranged from $10.7 million to $11.3 million.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value

Except as detailed in the following table, the Company's board of directors consider that the carrying amount of financial assets and financial liabilities recognised in these consolidated financial statements approximate their fair values at year end.

	December 31, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$000s	**$000s**	$000s	$000s
Financial liabilities held at amortised cost				
Loans and borrowings	**4,551**	**5,551**	-	-

16. Income taxes

(a) Amounts recognised in the income statement:

	Year ended December 31,	
	2016	2015
Recognised in the income statement	**$000s**	$000s
Current tax expense	**46**	62
Deferred tax expense	**-**	(15)
Income tax expense	**46**	47
Analysis of charge in year		
Loss before tax	**(18,481)**	(10,325)
Canadian statutory tax rate	**26.00%**	26.00%
Expected income tax credit	**(4,805)**	(2,685)
Changes attributable to:		
Non-deductible expenses	**1,675**	509
Difference in tax rates between Canada and foreign jurisdictions	**493**	692
Tax effect of tax losses and temporary differences not recognised	**2,715**	1,554
Recognition of previously recognised tax losses	**(48)**	-
Effect of change in future tax rates and others	**16**	(23)
Income tax expense	**46**	47

16. Income taxes (continued)

(b) *Unrecognised deductible temporary differences and unused tax losses:*

The Group's unrecognised deductible temporary differences and unused tax losses consist of the following amounts and will expire as follows:

	2016		
	Tax losses - revenue	**Other temporary differences**	**Total**
Expiry date	**$000s**	**$000s**	**$000s**
Within one year	**-**	**78**	**78**
Greater than one year, up to five years	**2,507**	**122**	**2,629**
Greater than five years	**26,790**	**664**	**27,454**
	29,297	**864**	**30,161**

	2015		
	Tax losses - revenue	**Other temporary differences**	**Total**
Expiry date	$000s	$000s	$000s
Within one year	1,865	100	1,965
Greater than one year, up to five years	6,736	200	6,936
Greater than five years	17,005	665	17,670
	25,606	965	26,571

Management believes that sufficient uncertainty exists regarding the recognition of deferred income tax assets and accordingly no deferred tax asset was recorded at December 31, 2016 and 2015.

17. Contingencies and commitments

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

	up to 1 year	**1-5 years**	**Over 5 years**	**Total**
	$000s	$000s	$000s	**$000s**
Operating lease obligations	171	85	-	**256**
Other contractual obligations	37	-	-	**37**
Total contractual obligations	**208**	**85**	**-**	**293**

18. Non-controlling interest

On April 2, 2015 the Group sold a 4% interest in SDM for $0.100 million (US$0.080 million). On September 29, 2016, the Group disposed of its 96% interest in SDM, and accordingly the related NCI of $0.015 million was derecognised.

December 31, 2016	**SDM**	**Intra-group eliminations**	**Total**
NCI percentage until September 30, 2016	**4%**		
	$000s		
Net assets at December 31, 2016	**-**		
Net assets attributable to NCI at December 31, 2016	**-**	**-**	**-**
Total comprehensive income for 9 months ended September 30, 2016	**155**		
Loss allocated to NCI for 9 months ended September 30, 2016	**6**	**-**	**6**
Net decrease in cash and cash equivalents for 9 months ended September 30, 2016	**14**		

December 31, 2015	**SDM**	**Intra-group eliminations**	**Total**
NCI percentage at December 31, 2015	4%		
	$000s		
Net assets at December 31, 2015	532		
Net assets attributable to NCI at December 31, 2015	21	(12)	9
Total comprehensive loss for 9 months ended December 31, 2015	(2,068)		
Loss allocated to NCI for 9 months ended December 31, 2015	(83)	-	(83)
Net decrease in cash and cash equivalents for 9 months ended December 31, 2015	5		

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

19. List of subsidiaries

Set out below is a list of material subsidiaries of the Group for the years ended December 31, 2016 and 2015.

Subsidiaries	Principal place of business	Functional currency	Ownership	
			2016	2015
			%	%
OMAX International Limited	Cayman Islands	Euros	**100**	100
Euromax Resources (Macedonia) Ltd	Canada	Canadian Dollars	**100**	100
Euromax Resources (Macedonia) UK Limited	United Kingdom	Euros	**100**	100
Euromax Resources UK (Services) Limited	United Kingdom	British Pounds	**100**	100
Euromax Resources (Bulgaria) UK Limited	United Kingdom	Euros	**100**	100
Euromax Resources DOO Skopje	Macedonia	Macedonian Denars	**100**	100
Euromax Exploration Services EOOD	Bulgaria	Bulgarian Levs	**100**	100
South Danube Metals d.o.o. Beograd	Serbia	Serbian Dinars	-	96

On September 29, 2016 under the Option Agreement, the Group sold its remaining 96% interest in South Danube Metals d.o.o. Beograd (See Note 7).

20. Subsequent events

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

On March 10, 2017 the Company announced a non-brokered private placement of 3,325,582 common shares at a price of $0.43 per share to a consortium of investors for gross proceeds of $1.43 million. The Company will also issue 166,279 shares to a third party finder as a commission related to the non-brokered private placement. This non-brokered private placement closed on March 14, 2017.