Euromax
RESOURCES

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

Expressed in Canadian dollars

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Euromax Resources Ltd.

Condensed consolidated interim statements of profit or loss and comprehensive income or loss - unaudited

(Expressed in Canadian dollars)

	Note	Three months ended June 30, 2017	Three months ended June 30, 2016 Restated*	Six months ended June 30, 2017	Six months ended June 30, 2016 Restated*
		$000s	$000s	**$000s**	$000s
Continuing operations					
Operating expenses					
Accounting, legal and professional		**(107)**	(439)	**(267)**	(718)
Depreciation		**(29)**	(40)	**(68)**	(84)
Amortisation		**-**	(1)	**(1)**	(2)
Office and general		**(82)**	(95)	**(167)**	(195)
Regulatory, filing and transfer agent		**(9)**	(65)	**(57)**	(79)
Rent		**(79)**	(164)	**(157)**	(247)
Salaries, director and consultant fees		**(775)**	(1,009)	**(1,255)**	(1,409)
Share-based payments recovery/(expense)		**87**	237	**2,314**	(2,047)
Investor and public relations		**(60)**	(57)	**(134)**	(113)
Travel		**(95)**	(99)	**(168)**	(203)
Exploration and evaluation costs		**(64)**	(29)	**(67)**	(34)
Expense recoveries		**-**	87	**-**	87
Gain/(loss) on foreign exchange		**809**	(402)	**1,163**	226
Operating profit/(loss)		**(404)**	(2,076)	**1,136**	(4,818)
Finance income		**-**	4	**-**	17
Finance expense		**(783)**	(332)	**(1,444)**	(337)
Fair value gain on financial liabilities	**10 (b)**	**405**	-	**3,231**	-
Net finance income/(loss)		**(378)**	(328)	**1,787**	(320)
Other items					
Other income		**1**	-	**5**	-
Profit/(loss) before tax		**(781)**	(2,404)	**2,928**	(5,138)
Income tax expense		**(3)**	(7)	**(12)**	(20)
Profit/(loss) from continuing operations		**(784)**	(2,411)	**2,916**	(5,158)
Discontinued operation					
Profit/(loss) from discontinued operation, net of tax	**7 (a)**	**(323)**	129	**(406)**	(50)
Profit/(loss) for the period		**(1,107)**	(2,282)	**2,510**	(5,208)
Profit/(loss) attributable to:					
Owners of the Company		**(1,107)**	(2,282)	**2,510**	(5,205)
Non-controlling interest		**-**	-	**-**	(3)
		(1,107)	(2,282)	**2,510**	(5,208)
Other comprehensive income/(loss), net of tax:					
Items that are or may be reclassified subsequently to profit or loss					
Cumulative translation adjustment on foreign subsidiaries		**685**	(506)	**827**	(1,037)
Recycling of exchange losses on disposal of foreign subsidiaries		**15**	-	**15**	-
Total other comprehensive income/(loss), net of tax		**700**	(506)	**842**	(1,037)
Total comprehensive income/(loss) for the period		**(407)**	(2,788)	**3,352**	(6,245)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**(407)**	(2,788)	**3,352**	(6,242)
Non-controlling interest		**-**	-	**-**	(3)
		(407)	(2,788)	**3,352**	(6,245)
Earnings/(loss) per common share					
Basic earnings/(loss) per common share	**5**	**(0.01)**	(0.02)	**0.02**	(0.04)
Diluted loss per common share	**5**	**(0.01)**	(0.02)	**(0.00)**	(0.04)
Earnings/(loss) per common share - Continuing operations					
Basic earnings/(loss) per common share	**5**	**(0.01)**	(0.02)	**0.02**	(0.04)
Diluted loss per common share	**5**	**(0.01)**	(0.02)	**0.00**	(0.04)
Weighted average number of common shares outstanding					
Basic weighted average number of common shares outstanding	**5**	**120,334,598**	116,842,737	**119,003,447**	116,842,737
Diluted weighted average number of common shares outstanding	**5**	**163,231,911**	116,842,737	**161,645,866**	116,842,737

* See Note 7

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of financial position - unaudited

(Expressed in Canadian dollars)

	Note	As at June 30, 2017 $000s	December 31, 2016 $000s
ASSETS			
Current			
Cash and cash equivalents		**117**	1,063
Trade and other receivables		**35**	236
Other current assets		**178**	203
Contingent consideration	**7**	**145**	-
Total current assets		**475**	1,502
Non-current assets			
Contingent consideration		**472**	488
Property, plant and equipment		**327**	462
Intangible assets		**5**	10
Unproven mineral right interests	**8**	**36,569**	34,464
Total assets		**37,848**	36,926
LIABILITIES			
Current			
Trade and other payables		**2,651**	2,148
Share-based payment liabilities	**12 (c)**	**6,152**	8,659
Working capital loan	**12 (d)**	**622**	-
Gold purchase advance payments	**11**	**14,651**	15,150
Loans and borrowings	**10**	**13,575**	-
Total current liabilities		**37,651**	25,957
Non-current liabilities			
Loans and borrowings	**10**	**-**	15,738
Total liabilities		**37,651**	41,695
EQUITY			
Share capital	**9**	**67,396**	65,975
Equity reserve		**10,079**	9,886
Convertible loan reserve		**762**	762
Currency translation reserve		**3,681**	2,839
Accumulated losses		**(81,721)**	(84,231)
Equity/(deficit) attributable to owners of the Company		**197**	(4,769)
Total liabilities and equity		**37,848**	36,926

Nature of operations	**1**	
Subsequent events	**15**	

Approved on behalf of the Board of Directors

"Steve Sharpe"
Steve Sharpe, Director

"Tim Morgan-Wynne"
Tim Morgan-Wynne, Director

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of changes in equity - unaudited

(Expressed in Canadian dollars)

For the three months ended June 30, 2017 and 2016	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, 2016		116,842,737	65,975	9,603	-	3,654	(65,713)	13,519	9	13,528
Equity component of convertible loans	10 (b)	-	-	-	762	-	-	762	-	762
Equity-settled share-based payments		-	-	65	-	-	-	65	-	65
Comprehensive loss for the period		-	-	-	-	(1,037)	(5,205)	(6,242)	(3)	(6,245)
Balance on June 30, 2016		116,842,737	65,975	9,668	762	2,617	(70,918)	8,104	6	8,110
Balance on January 1, 2017		**116,842,737**	**65,975**	**9,886**	**762**	**2,839**	**(84,231)**	**(4,769)**	**-**	**(4,769)**
Common shares issued for:										
Financing, net of issue costs	**9**	**3,491,861**	**1,421**	**-**	**-**	**-**	**-**	**1,421**	**-**	**1,421**
Equity-settled share-based payments		**-**	**-**	**193**	**-**	**-**	**-**	**193**	**-**	**193**
Comprehensive loss for the period		**-**	**-**	**-**	**-**	**842**	**2,510**	**3,352**	**-**	**3,352**
Balance on June 30, 2017		**120,334,598**	**67,396**	**10,079**	**762**	**3,681**	**(81,721)**	**197**	**-**	**197**

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

		Six months ended June 30,	
		2017	2016
	Note	**$000s**	$000s
OPERATING ACTIVITIES			
Profit/(loss) before tax		**2,527**	(5,188)
Add back:			
Depreciation	**6**	**88**	100
Amortisation	**6**	**3**	5
Finance income	**6**	**-**	(17)
Finance expense	**6**	**1,447**	338
Share-based payments (recovery)/expense		**(2,314)**	2,047
Unrealised foreign exchange gain		**(1,142)**	(330)
Expensed transaction costs associated with convertible loans	**10 (b)**	**-**	273
Fair value gain on financial liabilities	**10 (b)**	**(3,231)**	-
Loss on disposal of discontinued operations, net of tax	**7 (a)**	**436**	-
Changes in non-cash working capital items:			
(Increase)/decrease in trade and other receivables and prepayments and deposits		**(64)**	156
Increase in trade and other payables		**555**	313
Cash used in operating activities		**(1,695)**	(2,303)
INVESTING ACTIVITIES			
Expenditures on unproven mineral right interests		**(1,025)**	(4,588)
Purchases of property, plant and equipment and intangible assets		**(4)**	(75)
Disposal of discontinued operation, net of cash disposed of	**7 (c)**	**(114)**	-
Proceeds from restricted cash deposits		**-**	73
Interest received		**-**	17
Cash used in investing activities		**(1,143)**	(4,573)
FINANCING ACTIVITIES			
Proceeds from share issue	**9**	**1,430**	-
Proceeds from working capital loan	**12 (d)**	**534**	-
Share issue costs	**9**	**(9)**	-
Proceeds from convertible loans	**10 (b)**	**-**	11,765
Transaction costs associated with convertible loans	**10 (b)**	**-**	(482)
Interest paid		**(8)**	(11)
Cash provided by financing activities		**1,947**	11,272
Effect of exchange rate changes on cash		**(55)**	(183)
Net change in cash and cash equivalents		**(891)**	4,396
Cash and cash equivalents, beginning of the period		**1,063**	3,405
Cash and cash equivalents, end of the period		**117**	7,618

See accompanying notes to the condensed consolidated interim 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 condensed consolidated interim financial statements include the accounts of Euromax and of its wholly-owned subsidiaries (collectively, the "Group"). The Group operates with the objective of becoming the leading gold and base metal mining company in Europe. The Group operates in one sector in the mining industry, i.e. the exploration and development of mineral right interests. The Group previously provided exploration services to third parties, however this Exploration Services reportable segment was disposed of on June 27, 2017 (see Note 7) and have been presented as a discontinued operation in these condensed consolidated interim financial statements.

Euromax's common shares are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "EOX", as well as on the OTCQB under the trading symbol "EOXFF". Euromax's share options and warrants are not listed.

These condensed consolidated interim financial statements were authorised for issue by the Company's board of directors on August 14, 2017.

2. Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB.

The Group is following the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2016.

3. Going concern

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

At June 30, 2017, the Group had net assets of $0.2 million (December 31, 2016: net liabilities of $4.8 million) and a net working capital deficiency of $37.2 million (December 31, 2016: $24.5 million), including cash of $0.1 million (December 31, 2016: $1.1 million). The Group's $37.2 million working capital deficiency at June 30, 2017 largely results from:

- Gold purchase advance payments of $14.7 million (December 31, 2016: $15.2 million) received from Royal Gold, AG ("Royal Gold") (see Note 11);
- Convertible loans of $13.6 million (at December 31, 2016 both were classified as non-current), closed with European Bank for Reconstruction and Development ("EBRD") ("EBRD convertible loan") and with CC Ilovitza ("CCI" a member of the CCC Group) ("CCI convertible loan"), both mature on April 30, 2018 (see Note 10); and
- Share-based payment liabilities of $6.2 million (December 31, 2016: $8.7 million) owing to the Group's directors and officers in lieu of cash compensation (see Note 12(c)).

These three items are classified as current liabilities as contractually repayment may be required within the next twelve months. As at the date of these condensed consolidated interim financial statements no termination or repayment notice has been received from Royal Gold. Additionally, no cash payments are anticipated in connection with share based payment liabilities to any director or executive. Both convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before April 30, 2018.

3. Going concern (continued)

On March 14, 2017 the Group closed a non-brokered private placement of 3,325,582 common shares at a price of $0.43 to a consortium of investors raising gross proceeds of $1.430 million ("March 2017 Private Placement") (see Note 9). The Group also issued 166,279 common shares to a third party finder as a commission related to the March 2017 Private Placement.

Subsequent to quarter end, the Group has received confirmation from certain stakeholders of their willingness to provide further financing to the Group, subject to conditions. Accordingly, the Group has separately obtained an order for a potential private placement and is in discussions with other potential financiers to address the Group's working capital deficiency.

The Company's board of directors have reviewed the Group's forecasts for the period to August 31, 2018, including all projected payments of current creditors, costs for obtaining all necessary permits for the Ilovica-Shtuka Project (including urbanisation and land acquisition activities) and engineering work that will establish a guaranteed maximum price for the Ilovica-Shtuka Project's construction.

Based on these forecasts and notwithstanding the willingness of certain stakeholders to provide further financing subject to conditions, the directors have identified that further funding will be required. 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.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2016.

5. Earnings/(loss) per share

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
	$000s	$000s	**$000s**	$000s
Net profit/(loss) for the period after tax attributable to owners of the Company				
- from Continuing operations	**(784)**	(2,411)	**2,916**	(5,155)
- from Discontinued operation	**(323)**	129	**(406)**	(50)
Total net profit/(loss) for the period after tax attributable to owners of the Company	**(1,107)**	(2,282)	**2,510**	(5,205)
Basic weighted average number of common shares	**120,334,598**	116,842,737	**119,003,447**	116,842,737
Basic earnings/(loss) per share	**(0.01)**	(0.02)	**0.02**	(0.04)
Basic earnings/(loss) per share - from Continuing operations	**(0.01)**	(0.02)	**0.02**	(0.04)
Diluted net profit/(loss) for the period after tax attributable to owners of the Company				
- from Continuing operations	**(1,041)**	(2,411)	**284**	(5,155)
- from Discontinued operation	**(323)**	129	**(406)**	(50)
Total diluted net loss for the period after tax attributable to owners of the Company	**(1,364)**	(2,282)	**(122)**	(5,205)
Diluted weighted average number of common shares	**163,231,911**	116,842,737	**161,645,866**	116,842,737
Diluted loss per share	**(0.01)**	(0.02)	**(0.00)**	(0.04)
Diluted loss per share - from Continuing operations	**(0.01)**	(0.02)	**0.00**	(0.04)

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

5. Earnings/(loss) per share (continued)

The calculation of diluted weighted average number of common shares is set out below:

		Three months ended June 30,		Six months ended June 30,	
		2017	2016	**2017**	2016
	Note				
Basic weighted average number of common shares		**120,334,598**	116,842,737	**119,003,447**	116,842,737
Effect of share options and warrants		**7,128,214**	-	**8,701,194**	-
Effect of conversion of convertible loans	**10**	**35,769,099**	-	**33,941,225**	-
Diluted weighted average number of common shares		**163,231,911**	116,842,737	**161,645,866**	116,842,737

For the quarter and six months ended June 30, 2016, because there would be further reduction in loss per share resulting from the assumption that share options, warrants and convertible loan are exercised or converted, all these instruments are considered anti-dilutive and are ignored in the computation of loss per share. As there were no other instruments that may have a potential dilutive impact, the basic and diluted loss per share was is the same for the quarter and six months ended June 30, 2016.

6. Operating segments

The Group's main business is the exploration and development of mineral right interests, while its secondary business, i.e. provision of exploration services to third party resource companies, was disposed of on June 27, 2017 (See Note 7). 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	Operations	Geographic location
Macedonia	exploration and development of mineral right interests	Macedonia
Serbia	exploration and development of mineral right interests	Serbia
Exploration Services	exploration and evaluation services to third parties	Bulgaria
Corporate	corporate operations	Canada and UK

On June 27, 2017 the Group disposed of its Exploration Services reportable segment ("Euromax Exploration Services EOOD" or "EES") (see Note 7), while on September 29, 2016 disposed of its Serbian reportable segment ("South Danube Metals d.o.o. Beograd" or "SDM") (See Note 8).

6. Operating segments (continued)

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

	Macedonia		Serbia		Exploration Services (Discontinued - see Note 7)		Corporate		Total	
Six months ended	**June 30,**	June 30,	**June 30,**	June 30,	**June 30,**	June 30,	**June 30,**	June 30,	**June 30,**	June 30,
In thousands	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
External revenues	**-**	-	**-**	-	**686**	1,417	**-**	-	**686**	1,417
Finance income	**-**	17	**-**	-	**-**	-	**-**	-	**-**	17
Finance expense	**(1)**	(2)	**-**	-	**(3)**	(1)	**(1,443)**	(335)	**(1,447)**	(338)
Depreciation	**(66)**	(79)	**-**	(1)	**(20)**	(16)	**(2)**	(4)	**(88)**	(100)
Amortisation	**(1)**	(2)	**-**	-	**(2)**	(3)	**-**	-	**(3)**	(5)
Segment profit/(loss) before tax	**(697)**	(1,012)	**-**	(48)	**35**	(50)	**3,189**	(4,078)	**2,527**	(5,188)

	Macedonia		Serbia		Exploration Services		Corporate		Total	
As at	**June 30,**	December 31,	**June 30,**	December 31,	**June 30,**	December 31,	**June 30,**	December 31,	**June 30,**	December 31,
In thousands	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Segment assets	**36,980**	35,002	**-**	-	**-**	1,047	**868**	877	**37,848**	36,926
Segment liabilities	**1,104**	786	**-**	-	**-**	91	**36,547**	40,818	**37,651**	41,695

7. Discontinued operation

On June 27, 2017 the Group disposed of its Bulgarian exploration service company, EES, for total consideration of $0.185 million (€0.124 million) of which $0.040 million (€0.027 million) involved offsetting of existing payables that the Group owed EES, whilst the remaining $0.145 million (€0.097 million) has been recognised as deferred consideration at June 30, 2017. The collection of this deferred consideration is highly probable and is expected to be collected on or before August 30, 2017.

A loss on disposal of $0.436 million has been recognised for the three and six months ended June 30, 2017.

The Exploration Services reportable segment had not been previously classified as held-for-sale or as a discontinued operation, and accordingly the comparative consolidated statement of profit or loss and other comprehensive income or loss has been restated to reflect the discontinued operation separately from Group's continuing operations.

Subsequent to the disposal, the Group has not purchased exploration services from the discontinued operation.

7. Discontinued operation (continued)

(a) Results of discontinued operations

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
	$000s	$000s	**$000s**	$000s
External revenues	**473**	1,321	**686**	1,417
External expenses	**(348)**	(1,192)	**(651)**	(1,467)
Results from operating activities	**125**	129	**35**	(50)
Income tax	**(12)**	-	**(5)**	-
Results from operating activities, net of tax	**113**	129	**30**	(50)
Loss on disposal of discontinued operation	**(436)**	-	**(436)**	-
Profit/(loss) from discontinued operation, net of tax	**(323)**	129	**(406)**	(50)
Basic earnings/(loss) per share	**(0.00)**	0.00	**(0.00)**	(0.00)
Diluted earnings/(loss) per share	**(0.00)**	0.00	**(0.00)**	(0.00)

The loss from the discontinued operations of $0.323 million and $0.406 million for the three and six months ended June 30, 2017, retrospectively (2016: profit of $0.129 million and loss of $0.050 million), were attributable entirely to the owners of the Company.

(b) Cash flows from (used in) discontinued operations

	Six months ended June 30, 2017	Six months ended June 30, 2016
	$000s	$000s
Net cash provided by / (used in) operating activities	**(133)**	(134)
Net cash used in investing activities	**(115)**	(38)
Net cash used for the year	**(248)**	(172)

Net cash used in investing activities of $0.115 million in the six months ended June 30, 2017 (2016: $0.038 million) including $0.114 million (2016: Nil) of net cash and cash equivalents disposed of (see Note 7(c)) and $0.001 million (2016: $0.038 million) of investments made in property, plant and equipment and intangible assets.

(c) Effects of disposal on the financial position of the Group

	June 26, 2017
	$000s
Deferred consideration	**145**
Net assets disposed of:	
Property, plant and equipment	**(61)**
Intangible assets	**(4)**
Trade and other receivables	**(398)**
Other current assets	**(35)**
Cash and cash equivalents	**(114)**
Trade and other payables	**31**
Net assets and liabilities	**(581)**
Loss on disposal of discontinued operation	**(436)**
Cash and cash equivalents disposed of	**(114)**
Net of cash disposed of	**(114)**

8. Unproven mineral right interests

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.

8. Unproven mineral right interests (continued)

Macedonia (continued)

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 ("MoEPP") has formally approved the Environmental Impact Assessment Study ("EIA") for Ilovica 6 under the Environmental Law in Macedonia.

On January 6, 2016 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").

The Exploitation Concession on Ilovica 11 was granted on January 13, 2016 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.

On July 22, 2016, following the submission of a Main Mining Project, an application for the Exploitation Permit for the Ilovica-Shtuka Project was submitted for approval.

During the six months ended June 30, 2017, a Strategic Environmental Impact Assessment was approved by the MoEPP (required for urbanisation process of the mine footprint); the Ministry of Economy approved the merger of the Group's two exploitation concessions subject to Macedonian Government ratification; and a commission within the MoEPP issued a Compliance Report for the EIA on Ilovica 11, and recommended the formal approval to be granted by the MoEPP. Additionally, the ESIA, produced under international standards, was completed, which will facilitate the project financing as well as meets the requirements of various project stakeholders.

Serbia

On September 29, 2016, following the exercise of its one-year option, a third party acquired the Group's remaining 96% interest in SDM which owned 100% of the Karavansalija Mineralised Centre ("KMC") project for US$0.500 million ($0.650 million).

A summary of changes to the Group's unproven mineral right interests in the six months ended June 30, 2017 and 2016 is set out below.

	Macedonia *Ilovica*	**Serbia** *KMC*	**Total**
	$000s	$000s	$000s
Balance, January 1, 2016	27,901	673	28,574
Exploration expenditures:			
Assays and analysis	355	-	355
Drilling	171	-	171
Feasibility costs	3,077	-	3,077
Social & environmental costs	418	-	418
Other	347	-	347
	32,269	673	32,942
Other items:			
Exchange differences	(1,446)	(44)	(1,490)
Balance, June 30, 2016	30,823	629	31,452
Balance, January 1, 2017	**34,464**	**-**	**34,464**
Exploration expenditures:			
Feasibility costs	**727**	**-**	**727**
Social & environmental studies	**106**	**-**	**106**
Other	**21**	**-**	**21**
	35,318	**-**	**35,318**
Other items:			
Exchange differences	**1,251**	**-**	**1,251**
Balance, June 30, 2017	**36,569**	**-**	**36,569**

9. Share capital and reserves

At June 30, 2017 Euromax's authorised share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2017		2016	
	Number of shares	Amount	Number of shares	Amount
		$000s		$000s
Balance on January 1	**116,842,737**	**65,975**	116,842,737	65,975
Common shares issued for:				
Financing, net of issue costs	**3,491,861**	**1,421**	-	-
Balance on June 30	**120,334,598**	**67,396**	116,842,737	65,975

On March 14, 2017 the Group closed the March 2017 Private Placement by issuing of 3,325,582 common shares at a price of $0.43 to a consortium of investors for total proceeds of $1.430 million.

The Company incurred share issue costs of $0.080 million in connection with the March 2017 Private Placement, of which $0.071 million were compensated by issuing of 166,279 common shares at a price of $0.43, while remaining $0.009 million were paid in cash.

During the six months ended June 30, 2017, no share options and no share purchase warrants were exercised.

At June 30, 2017, the Company had 9,273,470 share options outstanding (June 30, 2016: 8,933,466) with exercise prices ranging from $0.18 to $1.02 per share and a weighted average exercise price of $0.39. During the six months ended June 30, 2017, 2,659,996 share options expired, with exercise prices ranging from $0.60 to $0.75 per share.

Additionally, the Company has 20,141,835 share purchase warrants (June 30, 2016: 20,141,835) with exercise prices ranging from $0.40 to $0.41 per share and 1,864,076 Restricted Share Units ("RSUs") (June 30, 2016: 1,864,076) outstanding at June 30, 2017.

10. Loans and borrowings

During May 2016, the Company closed two convertible loans, as presented below:

	June 30, 2017	December 31, 2016
	$000s	$000s
EBRD convertible loan	**8,433**	11,187
CCI convertible loan	**5,142**	4,551
	13,575	15,738

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	June 30, 2017 Face value	June 30, 2017 Carrying amount	December 31, 2016 Face value	December 31, 2016 Carrying amount
				$000s	$000s	$000s	$000s
EBRD convertible loan	US$	14.20%	2018	**6,512**	**8,433**	6,734	11,187
CCI convertible loan	$	9.00%	2018	**5,200**	**5,142**	5,200	4,551
				11,712	**13,575**	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 ($6.512 million) ("Principal Amount").

10. Loans and borrowings (continued)

(a) Terms and conditions (continued)

EBRD convertible loan (continued)

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 or convert the Principal Amount, an amount of US$1.420 million ($1.849 million) ("Redemption Amount"), a finance delay fee of US$0.150 million ($0.195 million) ("Fee") and a finance delay interest ("Interest") that has been accrued from January 1, 2017 on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum, 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 a 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 $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.

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	**2017**	2016
	$000s	$000s
Carrying amount at January 1	**11,187**	-
Proceeds received from convertible loan	**-**	6,565
Adjustments recorded during the period:		
Accrued interest	**745**	153
Fair value adjustment	**(3,231)**	(61)
Foreign exchange movements	**(268)**	-
Carrying amount at June 30	**8,433**	6,657

The EBRD convertible loan is classified as a financial liability at fair value through profit or loss, whereby all attributable transaction costs of $0.273 million (at June 30, 2016 $0.120 million accrued), 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 common share price, have been applied consistently to management's most likely future financing plans.

In periods prior the three months ended June 30, 2017, a probability weighting has been applied to each scenario, developed based on future financing plans, by using management's best estimates 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.

The fair value of the EBRD convertible loan at June 30, 2017 was assessed at $8.433 million (US$6.475 million), representing a reduction in the liability recognised in the balance sheet compared to December 31, 2016, which has resulted in fair value gain of $0.405 million and $3.231 million recognised for the quarter six months ended June 30, 2017, retrospectively.

10. Loans and borrowings (continued)

(b) Recognition and measurement of convertible loans (continued)

EBRD convertible loan (continued)

As at June 30, 2016, due to the close proximity to its closing date, management has determined that the carrying amount of the EBRD convertible loan approximates its fair value at June 30, 2016, and therefore no fair value adjustment was recognised for the quarter and six months ended June 30, 2016.

CCI convertible loan

CCI convertible loan	**2017**	2016
	$000s	$000s
Carrying amount at January 1	**4,551**	-
Proceeds received from convertible debenture notes	-	5,200
Transaction costs	-	(613)
Net proceeds received	-	4,587
Amount classified as equity (2016: net of transaction costs of $0.101 million)	-	(762)
Accrued interest	**463**	132
Amortisation of transaction costs	**128**	43
Adjustments recorded during the period	**591**	175
Carrying amount at June 30	**5,142**	4,000

The CCI convertible loan is a compound financial instrument, whereby a liability component and an equity component was 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.

Transaction costs of $0.613 million (at June 30, 2016 $0.284 million accrued), 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.

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

11. Gold purchase advance payments

On October 20, 2014 the Group entered into a Gold Purchase and Sale Agreement ("GPSA") with 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 common 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.

11. Gold purchase advance payments (continued)

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 June 30, 2017 and 2016:

	2017	2016
	$000s	$000s
Balance on January 1	**15,150**	15,596
Adjustments recorded during the period:		
Foreign exchange movements	(499)	(966)
Balance on June 30	**14,651**	14,630

12. 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.

	Six months ended June 30,	
	2017	2016
	$000s	$000s
Project management fees	**152**	152
	152	152

At June 30, 2017, the Group owed Trentside Projects Limited $0.051 million (December 31, 2016: $0.025 million) for services rendered in May and June 2017.

12. Related party transactions (continued)

Transactions with key management personnel (continued)

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2017 and 2016 was as follows:

	Note	Six months ended June 30, 2017	2016
		$000s	$000s
Short-term employee benefits		**755**	1,297
Post-employment benefits	(i)	**46**	52
Share-based payments (recovery)/expense	(ii)	**(2,314)**	2,047
		(1,513)	3,396

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

(c) Deferred Phantom Unit Plan

In March 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the Company's non-executive directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since April 2013, non-executive directors have made semi-annual elections to receive DPUs in lieu of cash for their fees. In March 2017 all non-executive directors, except for one, elected to receive DPUs in lieu of cash until September 30, 2017.

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 common share price performance compared to the Market Vectors Junior Gold Mines ETF ("GDXJ"), this is a market performance vesting condition so at grant date it is estimated that the Company's common share price performance should be at least consistent with the GDXJ's price performance.

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

The total DPUs in issue at June 30, 2017 was 13,671,131 (June 30, 2016: 12,083,259) inclusive of DPUs granted to the Company's non-executive directors. Share-based payment liabilities of $6.152 million (December 31, 2016: $8.659 million) are recognised as current at June 30, 2017. The DPU recovery for the three and six months ended June 30, 2017 is $0.184 million (2016: $0.269 million) and $2.507 million (2016: DPU expense of $1.982 million) respectively.

(d) Working capital loan

During the three months ended June 30, 2017, the Company arranged and closed a working capital loan from its directors as presented below:

	2017	2016
	$000s	$000s
Balance on January 1	**-**	-
Proceeds received from working capital loan	**534**	-
Accrued interest	**104**	-
Foreign exchange movements	**(16)**	-
Balance on June 30	**622**	-

The working capital loan is unsecured and repayable in full on or before November 30, 2017, which incurs a fixed interest rate of 20% that has been fully accrued for the three and six months ended June 30, 2017.

13. Contingencies and commitments

The Group had the following future contractual obligations as at June 30, 2017:

	up to 1 year	1-5 years	Over 5 years	Total
	$000s	$000s	$000s	**$000s**
Operating lease obligations	188	-	-	**188**
Total contractual obligations	**188**	**-**	**-**	**188**

14. Non-controlling interest

A non-controlling 4% interest in SDM was derecognised upon disposal of the remaining Group's 96% interest in SDM on September 29, 2016.

15. Subsequent events

There have been no reportable events subsequent to June 30, 2017.