Euromax
RESOURCES

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

Expressed in Canadian dollars

Euromax Resources Ltd.

December 31, 2018 and 2017

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Independent auditor's report to the shareholders of Euromax Resources Ltd.

Opinion

We have audited the consolidated financial statements of Euromax Resources Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statements of income and comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 3(a), to the financial statements, which indicates that the Group requires additional working capital to be raised which is yet to be agreed. As stated in Note 3(a), these events or conditions, along with other matters as set out in Note 3(a) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control 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.

In preparing the consolidated financial statements, management is resposnsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent auditor's report to the shareholders of Euromax Resources Ltd. – continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

The consolidated figures at December 31, 2017 and for the year then audited were audited by another firm of Chartered Accountants who expressed an unqualified opinion in their report dated 28 March, 2018.

The engagement partner on the audit resulting in this independent auditor's report is Matt Crane.

BDO LLP

Chartered Accountants

London, UK

29 March 2019

Euromax Resources Ltd.

Consolidated statements of profit or loss and other comprehensive income or loss

(Expressed in Canadian dollars)

	Note	Years ended December 31, 2018 $000s	2017 $000s
Continuing operations			
Operating expenses			
Accounting, legal and professional		**(569)**	(605)
Depreciation	**6**	**(129)**	(162)
Amortisation	**6**	**(3)**	(3)
Office and general		**(257)**	(305)
Regulatory, filing and transfer agent		**(41)**	(120)
Rent		**(202)**	(319)
Salaries, director and consultant fees		**(2,019)**	(2,633)
Share-based payments recovery	**12 (d)**	**713**	4,326
Investor and public relations		**(255)**	(198)
Travel		**(101)**	(228)
Exploration and evaluation costs		**(2)**	(93)
(Loss)/gain on foreign exchange		**(1,525)**	2,440
Operating (loss)/profit		**(4,390)**	2,100
Finance expense	**6**	**(2,933)**	(2,808)
Fair value loss on modification of financial liabilities	**13 (b)**	**(1,568)**	-
Fair value (loss)/gain on financial liabilities	**13 (b)**	**(380)**	3,985
Net finance (loss)/income		**(4,881)**	1,177
Other items			
Other income		**27**	5
(Loss)/profit from continuing operations before tax		**(9,244)**	3,282
Income tax expense	**17 (a)**	**(7)**	(24)
(Loss)/profit from continuing operations		**(9,251)**	3,258
Discontinued operation			
Loss from discontinued operation, net of tax	**7 (a)**	**-**	(406)
(Loss)/profit for the year		**(9,251)**	2,852
Other comprehensive income, net of tax:			
Items that are or may be reclassified subsequently to profit or loss			
Cumulative translation adjustment on foreign subsidiaries		**810**	1,185
Recycling of exchange losses on disposal of foreign subsidiaries		**-**	15
Total other comprehensive income, net of tax		**810**	1,200
Total comprehensive (loss)/income for the year		**(8,441)**	4,052
(Loss)/earnings per common share			
Basic (loss)/earnings per common share	**5**	**(0.06)**	0.02
Diluted (loss)/earnings per common share	**5**	**(0.06)**	0.00
Weighted average number of common shares outstanding			
Basic weighted average number of common shares outstanding	**5**	**158,066,294**	123,878,626
Diluted weighted average number of common shares outstanding	**5**	**158,066,294**	169,716,120

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, 2018 $000s	December 31, 2017 $000s
ASSETS			
Current assets			
Cash and cash equivalents		**1,086**	524
Other receivables		**26**	42
Other current assets		**47**	124
Contingent consideration	**10**	**-**	455
Total current assets		**1,159**	1,145
Non-current assets			
Property, plant and equipment	**9**	**167**	240
Intangible assets		**1**	4
Mineral right interests	**8**	**39,918**	38,149
Total assets		**41,245**	39,538
LIABILITIES			
Current liabilities			
Trade and other payables		**634**	1,466
Gold purchase advance payments	**14**	**15,338**	14,119
Working capital loan	**15 (c)**	**349**	617
Share-based payment liabilities	**12 (d)**	**577**	2,559
Loans and borrowings	**13**	**19,584**	13,883
Total liabilities		**36,482**	32,644
EQUITY			
Share capital	**11 (a)**	**74,306**	70,260
Equity reserve		**10,998**	9,452
Convertible loan reserve		**-**	762
Currency translation reserve		**4,849**	4,039
Accumulated losses		**(85,390)**	(77,619)
Total equity attributable to owners of the Company		**4,763**	6,894
Total liabilities and equity		**41,245**	39,538

Nature of operations	**1**
Subsequent events	**20**

Approved on behalf of the Board of Directors

Signed "Varshan Gokool"
Varshan Gokool, Director

Signed "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, 2018 and 2017

	Note	Share capital Number of shares	Amount $000s	Equity reserve $000s	Convertible loan reserve $000s	Currency translation reserve $000s	Accumulated losses $000s	Total equity $000s
Balance on January 1, 2017		*116,842,737*	*65,975*	*9,886*	*762*	*2,839*	*(84,231)*	*(4,769)*
Total comprehensive income for the year								
Profit for the year			-	-	-	-	2,852	2,852
Other comprehensive income for the year			-	-	-	1,200	-	1,200
Total comprehensive income for the year			-	-	-	*1,200*	*2,852*	*4,052*
Transactions with owners of the Company								
Common shares issued, net of issue costs	**11 (a)**	18,491,860	4,132	1,706	-	-	-	5,838
Exercised equity-settled share-based payments	**11 (a)**	480,566	153	(153)	-	-	-	-
Equity-settled share-based payments	**12 (d)**		-	1,773	-	-	-	1,773
Transfer of expired share options	**11 (c)**		-	(3,760)	-	-	3,760	-
Total transactions with owners of the Company		*18,972,426*	*4,285*	*(434)*	-	-	*3,760*	*7,611*
Balance on December 31, 2017		135,815,163	70,260	9,452	762	4,039	(77,619)	6,894
Balance on January 1, 2018		***135,815,163***	***70,260***	***9,452***	***762***	***4,039***	***(77,619)***	***6,894***
Total comprehensive loss for the year								
Loss for the year			**-**	**-**	**-**	**-**	**(9,251)**	**(9,251)**
Other comprehensive income for the year			**-**	**-**	**-**	**810**	**-**	**810**
Total comprehensive loss for the year			**-**	**-**	**-**	***810***	***(9,251)***	***(8,441)***
Transactions with owners of the Company								
Common shares issued, net of issue costs	**11 (a)**	**29,000,000**	**3,612**	**1,429**	**-**	**-**	**-**	**5,041**
Exercised equity-settled share-based payments	**11 (a)**	**1,926,917**	**434**	**(434)**	**-**	**-**	**-**	**-**
Equity-settled share-based payments	**12 (d)**		**-**	**519**	**-**	**-**	**-**	**519**
Effect of modification of financial liabilities	**13 (b)**		**-**	**-**	**(762)**	**-**	**762**	**-**
Conversion of cash-settled into equity-settled share-based payments			**-**	**555**	**-**	**-**	**-**	**555**
Cancellation of share-based payments			**-**	**(219)**	**-**	**-**	**414**	**195**
Transfer of expired share options	**11 (c)**		**-**	**(304)**	**-**	**-**	**304**	**-**
Total transactions with owners of the Company		***30,926,917***	***4,046***	***1,546***	***(762)***	**-**	***1,480***	***6,310***
Balance on December 31, 2018		**166,742,080**	**74,306**	**10,998**	**-**	**4,849**	**(85,390)**	**4,763**

See accompanying notes to the consolidated financial statements.

Euromax Resources Ltd.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

		Years ended December 31,	
		2018	2017
	Note	**$000s**	$000s
OPERATING ACTIVITIES			
(Loss)/profit before tax		**(9,244)**	2,881
Add back:			
Depreciation	**9**	**129**	182
Amortisation	**6**	**3**	5
Finance expense	**6**	**2,933**	2,811
Gain from disposal of property, plant and equipment	**9**	**(6)**	-
Share-based payments recovery	**12 (d)**	**(713)**	(4,326)
Unrealised foreign exchange loss/(gain)		**1,485**	(2,479)
Fair value loss on modification of financial liabilities	**13 (b)**	**1,568**	-
Fair value loss/(gain) on financial liabilities	**13 (b)**	**380**	(3,985)
Loss on disposal of discontinued operations, net of tax	**7 (a)**	**-**	436
Changes in working capital items:			
Decrease/(increase) in trade and other receivables and prepayments and deposits		**92**	(16)
(Decrease)/increase in trade and other payables		**(520)**	71
Income tax paid		**(12)**	-
Cash used in operating activities		**(3,905)**	(4,420)
INVESTING ACTIVITIES			
Expenditures on mineral right interests		**(573)**	(2,552)
Purchases of property, plant and equipment and land		**(48)**	(5)
Proceeds from disposal of property, plant and equipment	**9**	**4**	-
Proceeds from contingent consideration	**10**	**488**	-
Net proceeds from disposal of discontinued operation	**7 (c)**	**-**	29
Cash used in investing activities		**(129)**	(2,528)
FINANCING ACTIVITIES			
Proceeds from shares issued	**11 (a)**	**5,220**	5,930
Share issue costs	**11 (a)**	**(262)**	(9)
Proceeds from working capital loan	**15 (c)**	**-**	534
Repayment of working capital loan	**15 (c)**	**(290)**	(11)
Interest paid		**(6)**	(14)
Cash provided by financing activities		**4,662**	6,430
Effect of exchange rate changes on cash		**(66)**	(21)
Net change in cash and cash equivalents		**628**	(518)
Cash and cash equivalents, beginning of the year		**524**	1,063
Cash and cash equivalents, end of the year		**1,086**	524

See accompanying notes to the consolidated financial statements.

1. Nature of operations

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

These consolidated financial statements include the accounts of Euromax and its 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 the Exploration Services reportable segment was disposed of on June 27, 2017 (see Note 7) and has been presented as a discontinued operation in these consolidated financial statements.

Euromax’s common shares are listed on the Toronto Stock Exchange (the “TSX”) under the trading symbol “EOX”, as well as on the OTC Pink Market under the trading symbol “EOXFF”. Euromax’s share options and share purchase warrants are not listed.

These consolidated financial statements were authorised for issue by the Company’s board of directors on March 29, 2019.

2. Basis of preparation

(a) Basis of accounting

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

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair value at the end of each reporting period, as explained in the accounting policies below.

This is the first set of the Group’s consolidated financial statements whereby IFRS 9 Financial Instruments has been applied in full, however related provisions of IFRS 9 do not have a material effect on the Group’s financial statements.

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 consolidated financial statements for the year ended December 31, 2017 except for changes arising from the adoption of new accounting pronouncements as listed below.

New accounting pronouncement that has impact on the Group’s consolidated financial statements.

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

  Classification and measurement – financial assets and liabilities

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model under which an asset is held (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 (“FVTOCIL”) and fair value through profit or loss (“FVTPL”). IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead the hybrid financial instrument as a whole is assessed for classification.

  IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

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

2. Basis of preparation (continued)

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

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL 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.

Based on the management estimate, the effect of fair value movement of the financial liability designated as at FVTPL (EBRD convertible loan, see in the table below) resulting from changes in the credit risks of the EBRD convertible loan do not have material effect on the Group's consolidated financial statements, and therefore the whole effect from movement in the fair value of the EBRD convertible loan is presented in profit or loss.

The following table and accompanying notes below explained the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities at January 1, 2018.

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Other receivables	loans and receivables	amortised cost	42	42
Other current assets	loans and receivables	amortised cost	124	124
Contingent consideration	loans and receivables	amortised cost	455	455
Total financial assets			**621**	**621**

Financial liabilities	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Trade and other payables	other financial liability	other financial liability	1,466	1,466
Gold purchase advance payments	other financial liability	other financial liability	14,119	14,119
Working capital loan	other financial liability	other financial liability	617	617
Loans and borrowings - CCI convertible loan [1]	other financial liability	other financial liability	5,776	5,776
Loans and borrowings - EBRD convertible loan [2]	FVTPL	FVTPL	8,107	8,107
Total financial liabilities			**30,085**	**30,085**

[1] convertible loan closed with CC Ilovitza ("CCI" a member of the CCC Group) (the "CCI convertible loan")

[2] convertible loans closed with European Bank for Reconstruction and Development ("EBRD") (the "EBRD convertible loan")

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 FVTOCIL, except for investments in equity instruments.

The impact of implementation of the ELC model is immaterial on the Group's consolidated financial statements, since the Group's only activity is exploration and development of mineral right interests (see Note 6), i.e. developing of the for Ilovica-Shtuka copper project in the Republic of North Macedonia (the "Ilovica-Shtuka Project") and currently has no material financial assets.

Other new accounting pronouncements that do not have a material impact on the Group's consolidated financial statements, and that are effective from January 1, 2018, are as follows:

- IFRS 15 Revenue from Contracts with Customers – the Group disposed of its sole revenue generating operating segment in 2017 (see Notes 6 and 7);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- Annual Improvements to IFRSs 2014-2016 Cycle – (Amendments to IAS 28 and IFRS 1); and
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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, 2019 and have not been applied in preparing of these consolidated financial statements. The new accounting standard that might be relevant to the Group is set out below.

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

  IFRS 16 introduces a single, on-balance sheet lease 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 that the application of IFRS 16 to have a material impact on the Group's consolidated financial statements.

The following other standards and interpretations, that are effective for periods beginning after January 1, 2019, are not expected to have a material impact on the Group's consolidated financial statements, however the Group will evaluate their impact on future consolidated financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatment – *effective from January 1, 2019.*
- Prepayment Features with Negative Compensation (Amendments to IFRS 9) – *effective from January 1, 2019.*
- Annual Improvements to IFRSs 2015-2017 Cycle – (Amendments to IFRS 3, IAS 12 and IAS 23) – *effective from January 1, 2019.*
- Amendments to References to Conceptual Framework in IFRS Standards – *effective from January 1, 2020.*

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, 2018, the Group had net assets of $4.8 million (2017: $6.9 million) and a net working capital deficiency of $35.3 million (2017: $31.5 million), including cash of $1.1 million (2017: $0.5 million). The Group's $35.3million working capital deficiency at December 31, 2018 largely results from:

- Convertible loans of $19.6 million (at December 31, 2017: $13.9 million), closed with European Bank for Reconstruction and Development ("EBRD") (the "EBRD convertible loan") and with CC Ilovitza ("CCI" a member of the CCC Group) (the "CCI convertible loan"), both mature on May 10, 2019, both extended from December 31, 2018 subsequently to the year end (see Notes 13 and 20); and
- Gold purchase advance payments of $15.3 million (December 31, 2017: $14.1 million) received from Royal Gold, AG ("Royal Gold") (see Note 14) which are repayable on termination of the Gold Purchase and Sale Agreement.

These two items are classified as current liabilities as contractually repayment may be required within the next twelve months. Both convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before their maturity as explained below (see Notes 13 and 20, for more details). As at the date of these consolidated financial statements no termination or repayment notice has been received from Royal Gold.

3. Summary of significant accounting policies (continued)

(a) Going concern (continued)

On April 12, 2018, the Group closed a non-brokered private placement (the "April 2018 Private Placement") for gross proceeds of $5.2 million (see Note 11 (a)).

Subsequent to December 31, 2018, on March 22, 2019, the Group announced a non-brokered private placement (the "March 2019 Private Placement") for gross proceeds of $10.3 million (see Note 20), and its closing is subject to approval and satisfaction of various conditions, including the approval from TSX and the Macedonian competitions commission. The March 2019 Private Placement will be closed subsequent to the date of the approval of these consolidated financial statements, upon securing all required approvals and all conditions are met. Even considering the fact that the closing is not entirely within the Group's control, management has strong degree of confidence that it will be closed as planned.

Subject to closing of the March 2019 Private Placement, the maturity of both EBRD and CCI convertible loans will be extended until February 28, 2021.

The Company's board of directors have reviewed the Group's forecasts for the period to June 30, 2020, including all costs for obtaining all necessary permits for the Ilovica-Shtuka Project (including urbanisation and land acquisition activities), as well as for covering of required work for updating of the Feasibility Study for the Ilovica-Shtuka Project.

Based on these forecasts, 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 convertible loans and gold purchase advance payments will not require settlement in cash in 2019 and 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.

(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 consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument, is qualified as equity, then it is not remeasured and settlement is required for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are 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) Loss of control

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, 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.

3. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

(iv) 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 prevailing exchange rate on 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.

(ii) Foreign operations

The assets and liabilities of foreign operations 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 other comprehensive income or loss ("OCI/L") 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.

(d) Discontinued operation

A discontinued operation is a component of the Group's business, whereby the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate operating sector or geographic area of operations.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI/L is represented as if the operation had been discontinued from the start of the comparative year.

(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 FVTPL.

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

(g) Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Lease payments

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

(h) Revenue recognition – only for discontinued operation

Rendering of services – only for discontinued operation

On June 27, 2017 the Group disposed of its only operating segment that generated revenue (see Note 6 and 7), and accordingly revenue has not been recognised since then. Therefore, the new accounting pronouncements from IFRS 15 were not applied for compilation of the Group's consolidated financial statements for the year ended December 31, 2018, and the revenue recognised in 2017 had been recognised according to provisions of old standard IAS 18 Revenue (effectively from January 1, 2018 have been replaced by IFRS 15, as explained in Note 2(c)).

As per IAS 18, revenue from exploration services is recognised on the basis of 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.

(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/L.

(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.

3. Summary of significant accounting policies (continued)

(i) Income taxes (continued)

(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 is not recognised for:

- temporary differences on initial recognition of assets and liabilities in a transaction that is not business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that they will not reverse in the foreseen future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted reversals of existing temporary differences, are considered, based on the business plan for individual subsidiary in the Group. 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; such reduction are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

(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. 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.

3. Summary of significant accounting policies (continued)

(j) Property, plant and equipment (continued)

(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.

(l) Mineral right interests

The Group capitalises into mineral right interests all costs, net of any recoveries, of acquiring, exploring and evaluating a 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 mineral right interests.

These capitalised costs are considered to be an intangible asset in nature and once the technical feasibility and commercial viability of extracting the mineral resource being demonstrable, related capitalised costs is reclassified into tangible asset and depreciated 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) Financial instruments

(i) Recognition and initial measurement

Other receivables are initially recognised when they are originated, while all other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without significant financial component) or financial liability is initially measured at fair value, for an item not at FVTPL, plus transaction costs that are directly attributable to its acquisition or issue. A receivable without a significant financing component is initially measured at the transaction price.

3. Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(ii) Classification and subsequent measurement

➢ **Financial assets – Policy applicable from January 1, 2018**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI/L or FVTPL.

Financial assets are not reclassified subsequently to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Assessment whether contractual cash flows are solely payments of principle and interest: Policy applicable from January 1, 2018

For the purpose of this assessment, 'principle' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principle amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principle and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual terms that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principle and interest criterion if the prepayment amount subsequently represents unpaid amounts of principle and interest on the principle amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial assets acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consideration with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses: Policy applicable from January 1, 2018

All Group's financial assets are classified as measured at amortised cost.

Financial assets measured at amortised costs – these assets are subsequently measured at amortised costs using the effective interest method. The amortisation cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

➢ **Financial assets – Policy applicable before January 1, 2018**

The Group classified its financial assets as 'loans and receivables'.

Upon initial recognition, 'loans and receivables' were measured at amortised cost using the effective interest method.

3. Summary of significant accounting policies (continued)

(m) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities – Policy applicable from January 1, 2018

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The Group derecognised a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers or retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

(v) 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.

(n) 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.

(o) Share capital

Incremental costs directly attributable to the issue of common 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.

3. Summary of significant accounting policies (continued)

(p) Compound financial instruments

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

The liability component of compound financial instruments 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 proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component is not remeasured.

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) 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 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 by 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)

(r) Impairment

(i) Non-derivative financial assets

Policy applicable from January 1, 2018

Financial instruments

The Group measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial assets.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset. The effect of loss allowance is recognised in profit or loss.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. Summary of significant accounting policies (continued)

(r) Impairment (continued)

(i) Non-derivative financial assets (continued)

Policy applicable before January 1, 2018

Financial assets measured at amortised cost were assessed at each reporting date to determine whether there was 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 the 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 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.

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 had been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Summary of significant accounting policies (continued)

(r) Impairment (continued)

(iii) 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 that obligation, provided that its amount can be reliably estimated.

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

(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 principal or, in its absence, the most advantageous market to which the Group has access to at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures required measurement of fair values, which are further explained in Note 4.

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.

3. Summary of significant accounting policies (continued)

(t) Fair value measurement (continued)

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 insignificant 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 no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The 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).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible.

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:

(a) Recoverability of mineral right interests (Note 8)

The Group reviews the carrying value of its 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 12)

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.

4. Use of significant estimates (continued)

(b) Equity-settled share-based payment arrangements (Note 12) (continued)

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 13)

The EBRD convertible loan is accounted for as a financial liability at FVTPL and its fair value 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.

Based on the management estimate, the effect of fair value movement of the EBRD convertible loan resulting from changes in the credit risks of the EBRD convertible loan do not have material effect on the Group's consolidated financial statements, and therefore the whole effect from movement of the fair value of the EBRD convertible loan is presented in profit or loss. Sensitivity regarding the yield applied to the loans have been included in note 13(b). Management has estimated the fair value based on the extended maturity that was under negotiation at December 31, 2018. This reflects the best estimate on when this note would mature.

Separately the CCI convertible loan is a compound financial instrument. As such on initial recognition, the loan must be split into a liability component and an equity component. The recognised liability component had been determined by fair valuing the convertible loan using a relevant market interest rate that would apply to a similar loan that did not contain an equity conversion right. The equity component was calculated as the residual amount of the face value of the convertible loan and the calculated liability component.

5. (Loss)/earnings per share

	Years ended December 31,	
	2018	2017
	$000s	$000s
Net (loss)/profit for the period after tax	**(9,251)**	2,852
Basic weighted average number of common shares	**158,066,294**	123,878,626
Basic (loss)/earnings per share	**(0.06)**	0.02
Diluted net (loss)/profit for the period after tax	**(9,251)**	397
Diluted weighted average number of common shares	**158,066,294**	169,716,120
Diluted (loss)/earnings per share	**(0.06)**	0.00

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

	Note	**2018**	2017
Issued common shares at January 1		**135,815,163**	116,842,737
Effect of common shares issued (weighted average number)	**11 (a)**	**21,134,247**	6,968,742
Effect of Restricted Share Units ("RSUs") exercised	**11 (a)**	**1,116,884**	67,147
Basic weighted average number of common shares at December 31		**158,066,294**	123,878,626

	Note	**2018**	2017
Basic weighted average number of common shares at December 31		**158,066,294**	123,878,626
Effect of share options and warrants		-	11,896,269
Effect of conversion of convertible loans	**13**	-	33,941,225
Diluted weighted average number of common shares at December 31		**158,066,294**	169,716,120

For the year ended December 31, 2018, because there would be further reduction in loss per share resulting from the assumption that share options (see Note 12), warrants (see Note 11) and convertible loan (see Note 13) are exercised or converted, all these instruments are considered as 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 were the same for year ended December 31, 2018.

6. Operating segments

The Group's principal 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 on June 27, 2017 (see below and 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	Republic of North Macedonia
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).

The following is an analysis of the Group's revenue, loss/profit before tax, assets and liabilities by operating segments and the Group's consolidated loss/profit before tax.

	Macedonia		Exploration Services (Discontinued - see Note 7)		Corporate		Total	
For the years ended *In thousands $*	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
External revenues	**-**	-	**-**	686	**-**	-	**-**	686
Finance expense	**(1)**	(1)	**-**	(3)	**(2,932)**	(2,807)	**(2,933)**	(2,811)
Depreciation	**(125)**	(158)	**-**	(20)	**(4)**	(4)	**(129)**	(182)
Amortisation	**(3)**	(3)	**-**	(2)	**-**	-	**(3)**	(5)
Segment (loss)/profit before tax	**(2,455)**	(1,198)	**-**	(401)	**(6,789)**	4,480	**(9,244)**	2,881

	Macedonia		Exploration Services		Corporate		Total	
As at *In thousands $*	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Segment assets	**40,144**	38,470	**-**	-	**1,101**	1,068	**41,245**	39,538
Segment liabilities	**192**	529	**-**	-	**36,290**	32,115	**36,482**	32,644

7. Discontinued operation

(a) Results of discontinued operations

On June 27, 2017 the Group disposed of its Bulgarian exploration service company, EES, for total consideration of €0.124 million ($0.185 million) of which €0.027 million ($0.040 million) involved offsetting of existing payables that the Group owed EES, whilst the remaining €0.097 million ($0.143 million) was received on October 13, 2017.

A loss on disposal of $0.436 million was recognised for year ended December 31 2017.

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

	Years ended December 31,	
	2018	2017
	$000s	$000s
External revenues	-	686
External expenses	-	(651)
Results from operating activities	-	35
Income tax	-	(5)
Results from operating activities, net of tax	-	30
Loss on disposal of discontinued operation	-	(436)
Loss from discontinued operation, net of tax	-	(406)
Basic loss per share	-	(0.00)
Diluted loss per share	-	(0.00)

The loss from the discontinued operation of $0.406 million for the year ended December 31, 2017 was attributable entirely to the owners of the Company.

(b) Cash flows used in discontinued operations

	Years ended December 31,	
	2018	2017
	$000s	$000s
Net cash used in operating activities	-	(133)
Net cash used in investing activities	-	(115)
Net cash used for the year	-	(248)

Net cash used in investing activities of $0.115 million in the year ended December 31, 2017 was principally due to $0.114 million of net cash and cash equivalents disposed of (see Note 7(c)).

(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)**

*** $0.143 million at October 13, 2017**

	Years ended December 31, **2017**
Consideration received	**143**
Net of cash disposed of	**(114)**
Net proceeds from disposal of discontinued operation	**29**

8. 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.

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 (the "Exploitation Concession") for Ilovica 6 under the rules and regulations of the Minerals Law in the Republic of North Macedonia ("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 (the "MoEPP") has formally approved the Environmental Impact Assessment Study (the "EIA") for Ilovica 6 under the Environmental Law in Macedonia.

On January 6, 2016 the Group announced the Feasibility Study 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 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 a formal approval to be granted by the MoEPP. Additionally, the ESIA was completed under international standards, which could facilitate the financing of the Ilovica-Shtuka Project's construction as well as meets the requirements of various project stakeholders.

A summary of changes to the Group's mineral right interests in the years ended December 31, 2018 and 2017 is set out below.

	Macedonia *Ilovica-Shtuka Project*
	$000s
Balance, January 1, 2017	34,464
Exploration expenditures:	
Feasibility costs	1,407
Social & environmental costs	108
Other	82
	36,061
Other items:	
Foreign exchange movements	2,088
Balance, December 31, 2017	38,149
Balance, January 1, 2018	**38,149**
Exploration expenditures:	
Feasibility costs	**243**
Social & environmental studies	**15**
Other	**85**
	38,492
Other items:	
Foreign exchange movements	**1,426**
Balance, December 31, 2018	**39,918**

9. Property, plant & equipment

The Group's property, plant and equipment at December 31, 2018 and 2017 are as follows:

	Land	Vehicles	Office equipment	Field equipment	Leasehold improvements	Total
	$000s		$000s	$000s	$000s	$000s
Cost						
Balance at January 1, 2017	-	517	239	336	112	1,204
Acquisitions	-	-	1	-	-	1
Disposals	-	(295)	(21)	(90)	-	(406)
Foreign exchange movements	-	27	12	19	6	64
Balance at December 31, 2017	-	249	231	265	118	863
Acquisitions	**42**	**20**	**2**	**-**	**-**	**64**
Disposals	**-**	**(39)**	**(20)**	**(5)**	**(12)**	**(76)**
Foreign exchange movements	**-**	**12**	**2**	**15**	**5**	**34**
Balance at December 31, 2018	**42**	**242**	**215**	**275**	**111**	**885**
Accumulated depreciation						
Balance at January 1, 2017	-	323	130	228	61	742
Depreciation	-	61	42	45	34	182
Disposals	-	(248)	(15)	(81)	-	(344)
Foreign exchange movements	-	18	7	14	4	43
Balance at December 31, 2017	-	154	164	206	99	623
Depreciation	**-**	**43**	**39**	**32**	**16**	**130**
Disposals	**-**	**(28)**	**(16)**	**(4)**	**(12)**	**(60)**
Foreign exchange movements	**-**	**8**	**-**	**12**	**5**	**25**
Balance at December 31, 2018	**-**	**177**	**187**	**246**	**108**	**718**
Carrying amount						
At December 31, 2017	-	95	67	59	19	240
At December 31, 2018	**42**	**65**	**28**	**29**	**3**	**167**

All disposals in 2018 were related to the Macedonian operating segment (2017: to the Exploration Services operating segment), whereby office equipment was sold to employees that left the Group in 2018 for net proceed of $0.004 million. In addition to that, one vehicle was replaced with new one, which was resulted in gain of $0.006 million.

During 2018, the Group signed pre-agreements for purchase of the land located on Ilovica 11 with private land owners, whereby $0.042 million were paid in form of advance payment them for the land, while an additional $0.168 million is payable when a final agreement is signed.

10. 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. Part of this contingent consideration was collected on December 22, 2015 by receiving US$0.453 million ($0.605 million), while the remaining amount of US$0.363 million ($0.488 million) (December 31, 2017: $0.455 million) was received on December 20, 2018.

11. Share capital and reserves

(a) Share capital

At December 31, 2018, Euromax's share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2018 Number of shares	**Amount**	2017 Number of shares	Amount
		$000s		**$000s**
Balance on January 1	**135,815,163**	**70,260**	116,842,737	65,975
Common shares issued, net of issue costs	**29,000,000**	**3,612**	18,491,860	4,132
Exercised equity-settled share-based payments	**1,926,917**	**434**	480,566	153
Balance on December 31	**166,742,080**	**74,306**	135,815,163	70,260

On April 12, 2018 the Company closed the April 2018 Private Placement by issuing of 29 million common shares at a price of $0.18 for proceeds of $5.220 million and 29 million share purchase warrants exercisable each at a price of $0.23 at any time before April 12, 2020. As part of the April 2018 Private Placement, the Group signed an off-take agreement with Trafigura Pte. Ltd. ("Trafigura"), according which 20% of the future produced copper concentrate from the Ilovica-Shtuka Project will be sold to Trafigura.

The Company incurred share issue costs of $0.179 million for filing and legal fees, of which $0.129 million was allocated to share capital and $0.050 million to share purchase warrants via the equity reserve. These costs were paid at December 31, 2018.

Additionally, during the year ended December 31, 2018 share issued costs of $0.083 million were paid, which were incurred for two additional private placements closed in August and September 2017 (see below).

During the year ended December 31, 2017 the following non-brokered private placements were closed:

- On March 14, 2017 the Company issued 3,325,582 common shares at a price of $0.43 to a consortium of investors for proceeds of $1.43 million (the "March 2017 Private Placement").
- On August 23, 2017 the Company issued 1,666,666 common shares at a price of $0.30 for proceeds of $0.5 million and 1,666,666 share purchase warrants exercisable at a price of $0.33 until August 23, 2020 (the "August 2017 Private Placement").
- On September 25, 2017 the Company issued 13,333,333 common shares at a price of $0.30 for proceeds of $4 million and 13,333,333 share purchase warrants exercisable at a price of $0.33 until September 25, 2020 (the "September 2017 Private Placement").

In connection to all these placements, the Company incurred share issue costs of $0.163 million, of which $0.071 million were compensated by issuing 166,279 common shares at a price of $0.43, whilst the remaining $0.092 million is payable in cash, of which $0.009 million has been paid in the year ended December 31, 2017. These share issue costs were allocated to share capital and to share purchase warrants via the equity reserve on a pro-rata basis.

During the year ended December 31, 2018, 1,926,917 fully vested RSUs were converted into the Company's common shares, of which 1,361,917 RSUs had been converted from fully vested DPUs at fair value of $0.273 million, relating to a director who left the Company. While, during the year ended December 31, 2017, fully vested 480,566 RSUs were exercised into 480,566 common shares, by a former executive of the Group. An amount of $0.434 million (2017: $0.153 million) being of the share-based payment cost of these RSUs was accordingly transferred to share capital from equity reserve.

During the year ended December 31, 2018 and 2017 no share options and no share purchase warrants were exercised.

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

11. Share capital and reserves (continued)

(b) Share Purchase Warrants

As part of the April 2018 Private Placement the Company issued 29 million share purchase warrants exercisable each at a price of $0.23 at any time before April 12, 2020. In addition to that, during the year ended December 31, 2017, 15 million share purchase warrants, were issued as part of the August 2017 Private Placement and the September 2017 Private Placement, exercisable each at a price of $0.33 for a period of three years following the closing of these placements in 2017.

The aggregate fair market value of the share purchase warrants and the shares issued in the April 2018 Private Placement, the August 2017 Private Placement and the September 2017 Private Placement was distributed on a pro-rata basis between share capital and equity reserve.

The fair value of the share purchase warrants issued in the April 2018 Private Placement was estimated at $0.051 per share purchase warrant, or in total of $1.479 million for issued 29 million share purchase warrants, at the grant date. The fair value of share purchase warrants issued during the year ended December 31, 2017 was estimated at $0.191 million ($0.11482 per share purchase warrant) for the August 2017 Private Placement and at $1.547 million ($0.11601 per share purchase warrant) for the September 2017 Private Placement. The fair value of share purchase warrants has been determined by using the Black-Scholes option pricing model.

The weighted average assumptions used for calculating the fair value of the issued share purchase warrants are presented in the following table:

Year ended	**December 31, 2018**	December 31, 2017
Risk free interest rate	**1.88%**	1.61%
Expected life	**3 years**	3 years
Expected volatility	**50.00%**	50.00%
Expected dividend per share	**$Nil**	$Nil

A summary of the outstanding warrants in 2018 and 2017 is as follows:

	2018		2017	
	Number of warrants Number	**Weighted average exercise price $**	Number of warrants Number	Weighted average exercise price $
Balance, beginning of year	**35,141,834**	**0.41**	20,141,835	0.41
Warrants granted	**29,000,000**	**0.23**	14,999,999	0.33
Balance, end of year	**64,141,834**	**0.31**	35,141,834	0.41

(c) 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 12), 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 or expired and when RSUs fully vest and convert to common shares.

During the year ended December 31, 2018, a transfer amounting to $0.304 million (2017: $3.760 million) was made from the equity reserve to accumulated losses reflecting previous share options which have lapsed and unexercised.

(ii) Convertible Loan Reserve

The convertible loan reserve comprises the equity component of the CCI convertible loan, closed on May 20, 2016 (see Note 13(b)).

(iii) Currency Translation Reserve

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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

12. Share-based payment arrangements

(a) Description of share-based payment arrangements

At December 31, 2018, the Group had the following share-based payment arrangements:

(i) Stock Option Plan (Equity settled)

Euromax has a Stock Option Plan (the "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 common shares reserved for issuance upon exercise of all share options granted under the Option Plan is equal to 15% 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, 2018, 1,750,000 share options, with an exercise price at $0.30 per common share and contractual life of 3 years, were granted to an executive director who left the Group, as part of his settlement agreement, whereby 1,150,000 share options with an exercise price ranging from $0.25 to $0.43 per common share and weighted average contractual life of 2.49 years, 1,483,600 DPUs and 2,029,442 RSUs were closed as result of that transaction. Further 1,856,803 share options expired with exercise price ranging from $0.18 to $0.58 per common share.

During the year ended December 31, 2017, 2,250,000 share options were granted with an exercise price ranging from $0.35 to $0.41 per common share, while 2,826,663 share options expired with exercise prices ranging from $0.60 to $1.02 per share.

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, 2018	Vesting conditions	Contractual life of options
Options granted to Directors and Officers			
On January 22, 2015	**1,650,000**	Fully vested	5 years
On January 22, 2015	**1,500,000**	Fully vested	5 years
On August 25, 2015	**400,000**	Fully vested	5 years
On July 11, 2016	**2,400,000**	1/3 on July 11, 2017, 2018 and 2019	5 years
On October 23, 2017	**1,400,000**	1/3 on October 23, 2018, 2019 and 2020	5 years
On October 23, 2017	**350,000**	1/3 on October 23, 2017, 2018 and 2019	5 years
On May 1, 2018	**1,750,000**	Fully vested	3 years
Options granted to Consultants			
On October 23, 2014	**150,000**	Fully vested	5 years
On July 5, 2017	**500,000**	Fully vested	3 years
Total share options	**10,100,000**		

(ii) Restricted Share Unit Plan (Equity settled)

On March 11, 2013 Euromax established a Restricted Share Unit Plan (the "RSU Plan") under which directors, executive officers, employees or consultants of the Group are eligible to receive RSUs. The purpose of the RSU 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 RSUs reserved for issuance under the RSU Plan is equal to 8,534,734 common shares at the time of grant, provided that the combined number of share options and RSUs in issue does not exceed 15% 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.

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

12. Share-based payment arrangements (continued)

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

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

The Compensation Committee has determined the Market Vectors Junior Gold Mines ETF (the "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, executive officer or employees ceases employment with the Group any unvested RSUs are forfeited on the date they cease employment.

During the year ended December 31, 2018, following transactions were put in place:

- Fully vested 1,361,917 RSUs were granted to a director who left the Company as replacement of 1,361,917 DPUs, and these RSUs were converted into 1,361,917 common shares (see Note 11(a));
- 565,000 RSUs were granted to a consultant, vested in full during 2018, and converted into 565,000 common shares;
- 515,000 RSUs were granted to a key management personnel as compensation for agreed reduced cash compensation, fully vested at December 31, 2018;
- 2,971,362 RSUs were cancelled resulting of ceased employment of a director (2,029,442 RSUs) and a key management personnel (941,920 RSUs).

All granted RSUs were approved by the Group's Compensation Committee.

During the year ended December 31, 2017, 5,050,569 RSUs were granted to certain executives to replace 5,050,569 DPUs which were cancelled during the year, whereby 480,566 RSUs were exercised into common shares.

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, 2018	Vesting conditions
RSUs granted to Executive Directors and Officers		
On March 11, 2013 - Bonus 2012	**99,682**	100% vested at December 31, 2018
On March 11, 2013 - LTIP 2013 grant	**342,842**	100% vested at December 31, 2018, 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	**12,571**	100% vested at December 31, 2018
On May 1, 2014 - LTIP 2014 grant	**260,000**	100% vested at December 31, 2018, 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	**173,620**	100% vested at December 31, 2018
On November 24, 2017 - converted from DPUs	**2,574,002**	100% vested at December 31, 2018
On May 16, 2018 - as part of compensation to key management personnel	**515,000**	100% vested at December 31, 2018
Total RSUs	**3,977,717**	

Notwithstanding the vesting conditions stated above, the Company's board of directors has agreed with the executive officers and key management personnel who had RSUs due to vest until December 31, 2018 to postpone the vesting of their RSUs to at least December 31, 2019. 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.

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

12. Share-based payment arrangements (continued)

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

(iii) Deferred Phantom Units Plan (Cash settled)

On March 11, 2013 Euromax introduced a Deferred Phantom Unit Plan (the "DPU Plan") for its directors and key management personnel. Under the terms of the DPU Plan the Company's directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since April 2013, directors have made semi-annual elections to receive DPUs in lieu of cash for their fees. In September 2018 all directors, except for two, elected to receive DPUs in lieu of cash until March 31, 2019.

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. However, no additional DPUs were granted for the year ended December 31, 2018 under this set benchmark, as presented in the table below.

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.

During the year ended December 31, 2018, the Company's board of directors has approved the cancellation of 3,542,717 DPUs (2017: 5,050,569 DPUs), out of which 185,573 DPUs were granted during 2018. These 3,542,717 DPUs were issued to two directors and key management personnel that ceased their engagement in the Group, of which 1,361,917 DPUs were converted into 1,361,917 RSUs.

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, 2018	Vesting conditions
DPUs granted to Directors		
From March 11, 2013 to December 31, 2017	**3,208,992**	Fully vested
During 2018	**2,465,048**	Fully vested
DPUs granted to Executive Directors and Officers		
On May 1, 2014 - Bonus 2013	**820,260**	Fully vested
On May 1, 2014 - LTIP 2014 grant	**378,932**	Fully vested
On January 5, 2016 - GDXJ outperformance in 2015	**850,446**	Fully vested
On July 11, 2016 - Bonus 2015	**509,600**	Fully vested
On January 6, 2017 - GDXJ outperformance in 2016	**14,764**	Fully vested
Total DPUs	**8,248,042**	

(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, 2018**	Year ended December 31, 2017
Fair value at grant date	$0.04	$0.15
Share price at grant date	$0.19	$0.36
Exercise price	$0.30	$0.36
Expected volatility	50.00%	50.00%
Expected life	3 years	4.56 years
Expected dividend per share	$Nil	$Nil
Risk-free interest rate (based on Canadian government bonds)	2.03%	1.66%

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.

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

12. Share-based payment arrangements (continued)

(b) Measurement of fair values (continued)

(i) Stock Option Plan (continued)

The total fair value of 1.75 million share options, granted during the year ended December 31, 2018, assessed by using Black-Scholes option pricing model was set at $0.071 million, which was lower than the total fair value of $0.979 million for converted 1,483,600 DPUs ($0.282 million), 2,029,442 RSUs ($0.510 million) and 1,150,000 share options (amortised fair value of $0.187 million, at the moment of cancellation), and accordingly no further expense need to be recognised for the grant of these 1.75 million share options.

(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.

In respect of those RSUs granted during the year ended December 31, 2017 and 2018, no GDXJ market performance vesting conditions were attached (see Note 12(a)(ii)).

(iii) Deferred Phantom Units Plan

All DPUs granted to 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 share price at year-end 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, 2018 and 2017 were as follows:

	2018		2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at January 1	**11,356,803**	**$0.44**	11,933,466	$0.44
Granted during the year	**1,750,000**	**$0.30**	2,250,000	$0.36
Expired/replaced during the year	**(3,006,803)**	**$0.45**	(2,826,663)	$0.63
Outstanding at December 31	**10,100,000**	**$0.34**	11,356,803	$0.44
Exercisable at December 31	**5,950,000**	**$0.30**	3,656,803	$0.39

The options outstanding at December 31, 2018 have an exercise price in the range of $0.25 to $0.49 (2017: $0.18 to $0.58) and a weighted-average contractual life of 2.15 years (2017: 3.62 years).

No share options were exercised in 2018 and 2017.

(ii) Restricted Share Unit Plan

The number and weighted-average grant prices of the RSUs as at December 31, 2018 and 2017 were as follows:

	2018		2017	
	Number of RSUs	**Weighted average grant price**	Number of RSUs	Weighted average grant price
Outstanding at January 1	**6,434,079**	**$0.26**	1,864,076	$0.26
Granted during the year	**2,441,917**	**$0.22**	5,050,569	$0.27
Expired during the year	**(2,971,362)**	**$0.26**	-	-
Exercised during the year	**(1,926,917)**	**$0.22**	(480,566)	$0.33
Outstanding at December 31	**3,977,717**	**$0.26**	6,434,079	$0.26
Exercisable at December 31	**3,977,717**	**$0.26**	6,434,079	$0.26

12. Share-based payment arrangements (continued)

(d) Expense recognised in profit or loss

The total equity-settled share-based payment expense for the year ended December 31, 2018 was $0.519 million (2017: $1.773 million).

The total cash-settled share-based payment recovery in the year ended December 31, 2018 was $1.232 million (2017: $6.099 million) and as at December 31, 2018, the share-based payment liability was $0.577 million (2017: $2.559 million). Cash-settled share-based payments are revaluated at the Company's share price at year-end, and a 10% increase/decrease in Company's share price would result in an increase/decrease of approximately $0.058 million in the Group's loss for the year (2017: decrease/increase of $0.256 million in the Group's profit).

13. Loans and borrowings

	December 31, 2018	December 31, 2017
	$000s	$000s
EBRD convertible loan	**11,077**	8,107
CCI convertible loan	**8,507**	5,776
	19,584	13,883

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

				December 31, 2018		December 31, 2017	
	Currency	**Nominal interest rate ¹**	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
				$000s	**$000s**	$000s	$000s
EBRD convertible loan	US$	20.00%	2019	**6,822**	**11,077**	6,277	8,107
CCI convertible loan	$	20.00%	2019	**5,200**	**8,507**	5,200	5,776
				12,022	**19,584**	11,477	13,883

¹ as per amendments of convertible loans, see below, nominal interest rates are set at 20.0% per annum, while before that nominal interest rates were 14.2% and 9.0% for EBRD and CCI convertible loans, respectively

EBRD convertible loan

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US$5.0 million ($6.822 million) (the "Principal Amount"), amended on April 12, 2018 (the "2018 Amendments of the EBRD convertible loan") and further amended subsequent to December 31, 2018 (the "2019 Amendments of the EBRD convertible loan").

The EBRD convertible loan matures on May 10, 2019 (extended from April 30, 2018 as per the 2018 Amendments of the EBRD convertible loan, and further extended as per the 2019 Amendments of the EBRD convertible loan) or earlier, upon an equity financing of at least US$50 million (the "Maturity"). Subject to closing of the March 2019 Private Placement, the Maturity of the EBRD convertible loan will be extended further until February 28, 2021.

Upon Maturity, the Company will be required to pay or convert:

- the Principal Amount,
- an amount of US$1.420 million ($1.937 million) (the "Redemption Amount"),
- a finance delay fee of US$0.150 million ($0.205 million) (the "Fee"),
- a finance delay interest (the "Interest") accrued from January 1, 2017 until April 30, 2018 on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum, compounded quarterly, and
- a finance interest (the "Interest on Extension") accrued from May 1, 2018 to the Maturity on collectively the Principle Amount, the Redemption Amount, the Fee and the Interest at April 30, 2018 at a rate of 20% per annum applied from May 1, 2018 to March 31, 2019 and 7% per annum from April 1, 2019 to the Maturity, compounded annually, assuming that the March 2019 Private Placement is closed.

13. Loans and borrowings (continued)

(a) Terms and conditions (continued)

EBRD convertible loan (continued)

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 $0.23 per common share (as per the 2018 Amendments of the EBRD convertible loan reduced from $0.40), whereas the Redemption Amount, the Fee, the Interest, and the Interest on Extension 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.

Assuming that the March 2019 Private Placement is closed, the Principal Amount, Redemption Amount, the Fee, the Interest, and the Interest on Extension will all be convertible at $0.15 per common share.

CCI convertible loan

On May 20, 2016 the Company closed a convertible loan with CCI and received proceeds of $5.2 million (the "CCI Principal Amount"), amended on April 12, 2018 (the "2018 Amendments of the CCI convertible loan") and further amended subsequent to December 31, 2018 (the "2019 Amendments of the CCI convertible loan").

The CCI convertible loan matures on May 10, 2019 (extended from April 30, 2018 as per the 2018 Amendments of the CCI convertible loan, and further extended as per the 2019 Amendments of the CCI convertible loan), and subject to closing of the March 2019 Private Placement its maturity will be extended further until February 28, 2021. The CCI convertible loan incurred a fixed interest rate of 20% per annum, compounded annually (changed from interest rate of 9% per annum, compounded daily), applied retrospectively from May 20, 2016 to March 31, 2019, repayable at maturity, while from April 1, 2019 until its maturity incurs fixed interest rate of 7% per annum, compounded annually, assuming the March 2019 Private Placement is closed.

At maturity, CCI can elect to receive cash repayment or convert the CCI Principal Amount into the Company's common shares at a conversion price of $0.23 per common share (reduced from $0.40). 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. Assuming that the March 2019 Private Placement is closed, the CCI Principal Amount and interest will all be convertible at $0.15 per common share.

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	2018	2017
	$000s	$000s
Carrying amount at January 1	**8,107**	11,187
Adjustments recorded during the year:		
Accrued interest	**1,763**	1,466
Fair value adjustment	**380**	(3,985)
Foreign exchange movements	**827**	(561)
Carrying amount at December 31	**11,077**	8,107

The EBRD convertible loan is designated as at FVTPL, whereby all attributable transaction costs, together with any accrued interest, foreign exchange movements and fair value adjustments are recognised in profit or loss.

As per provisions of IFRS 9, the amount of change in the fair value of financial liability designated as at FVTPL attributable to change in the credit risk of that liability shall be presented in other comprehensive income or loss, while the remaining amount of change in the fair value of the liability shall be presented in profit or loss. Based on the management estimate, the effect of fair value movement of the EBRD convertible loan resulting from changes in the credit risks of the EBRD convertible loan do not have material effect on the Group's consolidated financial statements, and therefore the whole effect from movement in the fair value of the EBRD convertible loan is presented in profit or loss.

13. Loans and borrowings (continued)

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

EBRD convertible loan (continued)

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.

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 was 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 December 31, 2018 was assessed at $11.077 million (US$8.125 million) (2017: $8.107 million or US$6.460 million). Resulting from the increase in the financial liability (2017: decrease) due to fair value adjustment, fair value loss of $0.380 million (2017: fair value gain of $3.985 million) was recognised in profit or loss. A decrease of discounting rate by 5%, used for calculation of discounted cash flow as part of the internally prepared model, would result in increase of approximately $0.512 million in the Group's loss and the fair value of the EBRD convertible loan. In comparison, a 5% increase would result in decrease of approximately $0.481 million in the Group's loss and the fair value of the EBRD convertible loan

CCI convertible loan

CCI convertible loan	**2018**	**2017**
	$000s	$000s
Carrying amount at January 1	**5,776**	4,551
Adjustments recorded during the year:		
Accrued interest	**1,078**	969
Fair value loss on modification	**1,568**	-
Amortisation of transaction costs	**85**	256
Carrying amount at December 31	**8,507**	5,776

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 was 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 was recognised as equity element.

Transaction costs incurred for closing of the CCI convertible loan during 2016, were allocated on a proportional basis to the liability component and equity element. Transaction costs allocated to the liability component were fully amortised at April 30, 2018.

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

Resulting from the significant modification of the CCI convertible loan's conditions, as explained in Note 13(a), the initial recognised value of both liability and equity component have been reviewed, whereby based on the that review, the value of the equity element was assessed at $Nil, and therefore reversed through accumulated losses. In addition to that, further fair value loss on modification of the CCI convertible loan of $1.568 million has been recognised for year ended December 31, 2018.

14. 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, and was initially 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, it was agreed Royal Gold to pay US$175 million as an advance payment on the purchase price of the Ilovica-Shtuka Project's future gold production.

14. Gold purchase advance payments (continued)

However, during 2015, under the initial tranche and part of the first anniversary payment the Group received US$10.25 million, as part of that GPSA. All these advance payments received under the GPSA are classified as current liabilities since all conditions precedent for the third tranche weren't satisfied in the agreed timetable as per GPSA.

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 repaid back.

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. As at the date of these consolidated financial statements no termination or repayment notice has been received from Royal Gold, as well as it is not expecting such notice to be receive until funds for repayment of that advance payment is secured by the Group.

The following is a summary of the changes in the GPSA advance payments as at December 31, 2018 and 2017:

	2018	2017
	$000s	$000s
Balance on January 1	**14,119**	15,150
Adjustments recorded during the year:		
Foreign exchange movements	**1,219**	(1,031)
Balance on December 31	**15,338**	14,119

15. Related party transactions

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

Transactions with key management personnel

(a) Key management personnel transactions

The Group's related parties are Trentside Projects Limited and Wheatley Project Services, both are private companies owned by one of the Group's current key management personnel. Project managerial services to the Ilovica-Shtuka Project has been provided by both companies, whereby Trentside Projects Limited for the period from July 2015 to April 2018 and Wheatley Project Services from May 2018.

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

	Years ended December 31,	
	2018	2017
	$000s	$000s
Project management fees	**122**	273
	122	273

At December 31, 2018, the Group owed Wheatley Project Services $0.006 million (December 31, 2017: Trentside Projects Limited – $0.013 million) for services provided in December 2018.

15. Related party transactions (continued)

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the years ended December 31, 2018 and 2017 was as follows:

		Years ended December 31,	
	Note	**2018**	2017
		$000s	$000s
Short-term employee benefits		**931**	1,372
Post-employment benefits	(i)	**56**	91
Redundancy payments	(ii)	**103**	-
Share-based recoveries	(iii)	**(917)**	(4,397)
		173	(2,934)

(i) Some executive directors and some key management personnel receive pension contributions ranging from 5% to 10% of their salary to their individual pension plans.

(ii) A key management personnel was made redundant on February 28, 2018.

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

(c) Working capital loan

During the year ended December 31, 2017, the Group arranged and closed a working capital loan from certain directors of the Group, which incurs a one off interest rate of 20% which has been fully accrued for the year ended December 31, 2017, as presented below:

	2018	2017
	$000s	$000s
Balance on January 1	**617**	-
Proceeds received from working capital loan	-	534
Non-cash contribution	-	13
Accrued interest	-	106
Repayment of working capital loan	**(290)**	(11)
Foreign exchange movements	**22**	(25)
Balance on December 31	**349**	617

During the year ended December 31, 2018, the Group repaid $0.290 million of the working capital loan to three directors, of which two left the Group during 2018.

The remaining balance of $0.349 million is unsecured and repayable in full on or before April 30, 2019.

16. Financial instruments

(a) Management of capital risk

The capital structure of the Group consists of both (i) debt, comprising loans and borrowings and gold purchase advance payments; and (ii) equity, comprising share capital, various reserves and accumulated losses. The Group manages its capital in order 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 commercial production, 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 common shares, raise debt finance or use other financing alternatives.

The Group is not subject to externally imposed capital requirements.

16. Financial instruments (continued)

(b) Financial risk management

The Group is exposed to a number of financial risks such as liquidity risk, market risk (including currency risk and interest rate risk) and credit 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) 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, 2018	**Carrying amount**	**3 months or less**	**3-12 months**	**1-2 years**
	$000s	**$000s**	**$000s**	**$000s**
Trade and other payables	**634**	**634**	**-**	**-**
Gold purchase advance payments	**15,338**	**15,338**	**-**	**-**
Working capital loan	**349**	**-**	**349**	**-**
Loans and borrowings	**19,584**	**-**	**20,675**	**-**
	35,905	**15,972**	**21,024**	**-**

		Contractual cash flows		
December 31, 2017	**Carrying amount**	**3 months or less**	**3-12 months**	**1-2 years**
	$000s	$000s	$000s	$000s
Trade and other payables	1,466	1,466	-	-
Gold purchase advance payments	14,119	14,119	-	-
Working capital loan	617	617	-	-
Loans and borrowings	13,883	-	15,195	-
	30,085	16,202	15,195	-

Under the provisions of GPSA, in case of its termination, gold purchase advance payments need to be repaid in full within 60 days of received termination notice. As at the date of these consolidated financial statements, no termination or repayment notice has been received from Royal Gold.

Loans and borrowings represents both the EBRD and the CCI convertible loans (their carrying amounts are disclosed in Note 13), while contractual cash payments at maturity date (May 10, 2019) for both convertible loans) are $11.687 million (2017: $8.970 million) and $8.988 million (2017: $6.225 million), respectively. In addition, contractual cash payments for the EBRD convertible loan are exposed by foreign currency fluctuations between the Canadian Dollar and the US Dollar (as disclosed in Note 16(b)(ii)). However, related contractual cash payments may not occur if either convertible loan is converted into the Company's common shares (see Note 13(a) for further details).

16. Financial instruments (continued)

(ii) Foreign Currency risk

The Group is mostly exposed to foreign currency risk arising from fluctuation in the Canadian Dollar to the US Dollar exchange rate. However, the Group also has residual exposure to other currencies since the Group operates across a different countries (see Note 19).

The summary of the Group's exposure to currency risk as at December 31, 2018 and 2017 is as follows:

	U.S. Dollar	British Pound	Macedonian Denar	Others	Total
2018	$000s	$000s	$000s		$000s
Financial assets	**727**	**204**	**58**	**120**	**1,109**
Loans and borrowings	**(11,077)**	**-**	**-**	**-**	**(11,077)**
Gold purchase advance payments	**(15,338)**	**-**	**-**	**-**	**(15,338)**
Other financial liabilities	**(241)**	**(479)**	**(151)**	**(95)**	**(966)**
Net financial assets / liabilities	**(25,929)**	**(275)**	**(93)**	**25**	**(26,272)**
2017					
Financial assets	493	190	79	64	826
Loans and borrowings	(8,107)	-	-	-	(8,107)
Gold purchase advance payments	(14,119)	-	-	-	(14,119)
Other financial liabilities	(437)	(837)	(492)	(33)	(1,799)
Net financial assets / liabilities	(22,170)	(647)	(413)	31	(23,199)

Based on the above foreign currency exposures as at December 31, 2018 and assuming that all other variables remain constant, a 10% depreciation/appreciation of the Canadian Dollar would result in an increase/decrease of approximately $2.627 million in the Group's loss for the year (2017: decrease/increase of $2.320 million in the Group's profit).

The Group's sensitivity to foreign currency fluctuations is principally driven by the following financial liabilities denominated into US Dollars: gold purchase advance payments from Royal Gold (see Note 14) and the EBRD convertible loan (see Note 13).

(iii) Interest rate risk

At December 31, 2018, fixed interest rate is applied for both convertible loans and therefore a change in interest rates at reporting date would not affect profit or loss.

(iv) 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.

Trade and other receivables

Following the disposal of the Exploration Services reportable segment on June 27, 2017 (see Note 7), the Group no longer has trade receivables for services provided to third parties, and therefore at December 31, 2018 the Group's exposure to credit risk was limited to the recovery of value added taxes from Canadian, Macedonian and UK tax authorities.

16. 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

The EBRD convertible loan is 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 that fair value.

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
	2018 $000s	2017 $000s				
EBRD convertible loan	**11,077**	8,107	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 common share price.	A probability weighting is applied to each scenario, based on future financing plans, by using the management's best estimates of likelihood of each scenario occurring.	A change in the probability weighting applied by management would change the fair value of the loan. At December 31, 2018, the fair value was determined by only one developed scenario (2017: one scenarios modelled).

(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, 2018		December 31, 2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	$000s	**$000s**	$000s	$000s
Financial liability measured at amortised cost				
Loans and borrowings - CCI convertible loan	**8,507**	**8,184**	5,776	6,051

17. Income taxes

(a) Amounts recognised in the income statement:

	Year ended December 31,	
	2018	2017
Recognised in the consolidated statement of profit or loss	**$000s**	$000s
Current tax expense	**7**	24
Deferred tax expense	**-**	-
Income tax expense on continuing operations	**7**	24
Analysis of charge in year		
(Loss)/profit from continuing operations before tax	**(9,244)**	3,282
Canadian statutory tax rate	**27.00%**	26.00%
Expected income tax credit	**(2,496)**	853
Changes attributable to:		
Non-taxable income/Non-deductible expenses	**1,171**	(1,072)
Difference in tax rates between Canada and foreign jurisdictions	**352**	137
Tax effect of tax losses and temporary differences not recognised	**974**	133
Tax adjustments related to previous years	**6**	(27)
Income tax expense on continuing operations	**7**	24

Tax income from discontinued operations for the year ended December 31, 2017 was $0.005 million.

17. 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:

	2018		
	Tax losses - revenue	Other temporary differences	Total
Expiry date	**$000s**	**$000s**	**$000s**
Within one year	**-**	**232**	**232**
Greater than one year, up to five years	**2,635**	**343**	**2,978**
Greater than five years	**32,567**	**989**	**33,556**
	35,202	**1,564**	**36,766**

	2017		
	Tax losses - revenue	Other temporary differences	Total
Expiry date	$000s	$000s	$000s
Within one year	-	93	93
Greater than one year, up to five years	3,629	159	3,788
Greater than five years	26,783	664	27,447
	30,412	916	31,328

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, 2018 and 2017.

18. Contingencies and commitments

The Group had the following future contractual obligations as at December 31, 2018:

	up to 1 year	1-5 years	Over 5 years	Total
	$000s	$000s	$000s	**$000s**
Operating lease obligations	11	-	-	**11**
Total contractual obligations	**11**	**-**	**-**	**11**

19. List of subsidiaries

Set out below is a list of material subsidiaries of the Group as at December 31, 2018 and 2017.

Subsidiaries	Principal place of business	Functional currency	Ownership 2018	Ownership 2017
			%	%
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	Republic of North Macedonia	Macedonian Denars	**100**	100
Euromax Exploration Services EOOD	Bulgaria	Bulgarian Levs	**-**	-

On June 27, 2017 the Group sold Euromax Exploration Services EOOD (see Note 6 and 7 for further details).

20. Subsequent events

Subsequent to December 31, 2018 following reportable events have occurred:

- On March 22, 2019, the Group announced the March 2019 Private Placement for gross proceeds of $10.3 million, and its closing is subject to approval and satisfaction of various conditions. The March 2019 Private Placement is planned to be closed subsequent to the date of the approval of these consolidated financial statements, upon securing all required approvals and all conditions are met. Even considering the fact that the closing is not entirely within the Group's control, management has strong degree of confidence that it will be closed as planned.

20. Subsequent events (continued)

- The maturity of both EBRD and CCI convertible loans have been extended until May 10, 2019 and subject to closing of the March 2019 Private Placement, will be further extended until February 28, 2021. In addition to that, as part of the 2019 Amendments of the EBRD convertible loan and 2019 Amendments of the CCI convertible loan, following conditions have been changed for both convertible loans, subsequently to the year end: (1) conversion price has been reduced to $0.15, applied to (i) the Principal Amount, Redemption Amount, the Fee, the Interest, and the Interest on Extension for EBRD convertible loan, and (ii) CCI Principal Amount and interest for the CCI convertible loan; and (2) annual fixed interest rate of 20% has been reduced to 7%.