



UNAUDITED CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2019 and 2018

Expressed in Canadian dollars

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

Euromax Resources Ltd.

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

(Expressed in Canadian dollars)

	Note	Three months ended March 31,	
		2019 \$000s	2018 * \$000s
Operating expenses			
Accounting, legal and professional		(121)	(122)
Depreciation	7	(39)	(42)
Amortisation	7	(1)	(1)
Office and general		(53)	(56)
Regulatory, filing and transfer agent		(24)	(29)
Rent		(4)	(79)
Salaries, director and consultant fees		(345)	(794)
Share-based payments (expenses)/recovery		(119)	74
Investor and public relations		(37)	(42)
Travel		(31)	(23)
Exploration and evaluation costs		-	(2)
(Loss)/gain on foreign exchange		(244)	93
Operating loss		(1,018)	(1,023)
Finance expense	7	(934)	(715)
Fair value loss on financial liabilities	10 (b)	(56)	(1,275)
Net finance loss		(990)	(1,990)
Other items			
Other income		-	3
Loss before tax		(2,008)	(3,010)
Income tax expense		-	-
Loss for the period		(2,008)	(3,010)
Other comprehensive (loss)/income, net of tax:			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Cumulative translation adjustment on foreign subsidiaries		(831)	1,282
Total other comprehensive (loss)/income, net of tax		(831)	1,282
Total comprehensive loss for the period		(2,839)	(1,728)
Loss per common share			
Basic and diluted	6	(0.01)	(0.02)
Weighted average number of common shares outstanding			
Basic and diluted	6	166,742,080	135,931,302

* The Group has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information has not been restated and the cumulative effect of initially applying IFRS 16 was recognised in Accumulated losses at the date of initial application. See Note 3.

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of financial position - unaudited

(Expressed in Canadian dollars)

	Note	As at	
		March 31, 2019 \$000s	December 31, 2018 * \$000s
ASSETS			
Current			
Cash and cash equivalents		394	1,086
Other receivables		38	26
Other current assets		171	47
Total current assets		603	1,159
Non-current assets			
Land and property, plant and equipment		348	167
Intangible assets		1	1
Mineral right interests	8	38,336	39,918
Total assets		39,288	41,245
LIABILITIES			
Current			
Trade and other payables		794	634
Gold purchase advance payments	11	15,015	15,338
Working capital loan	12 (d)	348	349
Loans and borrowings	10	18,604	19,584
Share-based payment liabilities	12 (c)	667	577
Lease liability	3 (e)	65	-
Total current liabilities		35,493	36,482
Non-current liabilities			
Lease liability	3 (e)	124	-
Total liabilities		35,617	36,482
EQUITY			
Share capital	9	74,306	74,306
Equity reserve		11,028	10,998
Convertible loan reserve	10 (b)	1,733	-
Currency translation reserve		4,018	4,849
Accumulated losses		(87,414)	(85,390)
Total equity		3,671	4,763
Total liabilities and equity		39,288	41,245

* The Group has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information has not been restated and the cumulative effect of initially applying IFRS 16 was recognised in Accumulated losses at the date of initial application. See Note 3.

Nature of operations	1
Subsequent events	13

Approved on behalf of the Board of Directors

Signed "Varshan Gokool"

Varshan Gokool, Director

"Tim Morgan-Wynne"

Tim Morgan-Wynne, Director

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of changes in equity - unaudited

(Expressed in Canadian dollars)

For the three months ended March 31, 2019 and 2018

	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
<i>Balance on January 1, 2018</i>		135,815,163	70,260	9,452	762	4,039	(77,619)	6,894
<i>Total comprehensive income for the period</i>								
Loss for the period			-	-	-	-	(3,010)	(3,010)
Other comprehensive income for the period			-	-	-	1,282	-	1,282
<i>Total comprehensive income for the period</i>			-	-	-	1,282	(3,010)	(1,728)
<i>Transactions with owners of the Company</i>								
Exercised equity-settled share-based payments	9	282,500	75	(75)	-	-	-	-
Equity-settled share-based payments			-	202	-	-	-	202
Transfer of expired share options	9		-	(304)	-	-	304	-
<i>Total transactions with owners of the Company</i>			75	(177)	-	-	304	202
Balance on March 31, 2018		136,097,663	70,335	9,275	762	5,321	(80,325)	5,368
<i>Balance on January 1, 2019, as previously reported</i>		166,742,080	74,306	10,998	-	4,849	(85,390)	4,763
Impact of change in accounting policy	3 (e)		-	-	-	-	(16)	(16)
<i>Adjusted balance on January 1, 2019</i>		166,742,080	74,306	10,998	-	4,849	(85,406)	4,747
<i>Total comprehensive loss for the period</i>								
Loss for the period			-	-	-	-	(2,008)	(2,008)
Other comprehensive loss for the period			-	-	-	(831)	-	(831)
<i>Total comprehensive loss for the period</i>			-	-	-	(831)	(2,008)	(2,839)
<i>Transactions with owners of the Company</i>								
Equity-settled share-based payments			-	30	-	-	-	30
Equity component of convertible loan	10 (b)		-	-	1,733	-	-	1,733
<i>Total transactions with owners of the Company</i>			-	30	1,733	-	-	1,763
Balance on March 31, 2019		166,742,080	74,306	11,028	1,733	4,018	(87,414)	3,671

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

	Note	Three months ended March 31,	
		2019	2018 *
		\$000s	\$000s
OPERATING ACTIVITIES			
Loss before tax		(2,008)	(3,010)
<i>Add back:</i>			
Depreciation	7	39	42
Amortisation	7	1	1
Finance expense	7	934	715
Share-based payments expenses/(recovery)		119	(74)
Unrealised foreign exchange loss/(gain)		209	(89)
Fair value loss on financial liabilities	10 (b)	56	1,275
<i>Changes in non-cash working capital items:</i>			
(Increase)/decrease in other receivables and other current assets		(12)	41
Increase in trade and other payables		26	725
Cash used in operating activities		(636)	(374)
INVESTING ACTIVITIES			
Expenditures on mineral right interests		(23)	(3)
Purchases of land, property, plant and equipment and intangible assets		(28)	(1)
Cash used in investing activities		(51)	(4)
FINANCING ACTIVITIES			
Payment of lease liabilities		(20)	-
Interest paid		(1)	(1)
Cash used in financing activities		(21)	(1)
Effect of exchange rate changes on cash		16	(59)
Net change in cash and cash equivalents		(708)	(379)
Cash and cash equivalents, beginning of the period		1,086	524
Cash and cash equivalents, end of the period		394	86

* The Group has initially applied IFRS 16 at January 1, 2019, using the modified retrospective approach. Under this approach, comparative information has not been restated and the cumulative effect of initially applying IFRS 16 was recognised in Accumulated losses at the date of initial application. See Note 3.

See accompanying notes to the condensed consolidated interim financial statements.

Euromax Resources Ltd.

Notes to the condensed consolidated interim financial statements - unaudited

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

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 condensed consolidated interim financial statements include the accounts of Euromax and of its wholly-owned subsidiaries (collectively, the "Group"). The Group operates with the objective of becoming the leading gold and base metal mining company in Europe. The Group operates in one sector in the mining industry, i.e. the exploration and development of mineral right interests.

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 warrants are not listed.

These condensed consolidated interim financial statements were authorised for issue by the Company's board of directors on May 13, 2019.

2. Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, which were prepared in accordance with IFRS as issued by the IASB.

This is the first set of the Group's condensed consolidated interim financial statements in which *IFRS 16 Leases* has been applied. The related changes to significant accounting policies are described below in Note 4.

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the audited consolidated financial statements for the year ended December 31, 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ended December 31, 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use-assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in Accumulated losses at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated, i.e. it is presented as previously reported under *IAS 17 Leases* and its related interpretations. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under *IFRIC 4 Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group has applied IFRS 16 on all contracts identified under IAS 17 and IFRIC 4 that were entered before January 1, 2019 as well as on all other contracts entered into or changed on or after January 1, 2019.

Euromax Resources Ltd.

Notes to the condensed consolidated interim financial statements - unaudited

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

3. Changes in significant accounting policies (continued)

(a) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected to not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(b) As a lessee

The Group leases office premises within the Macedonian operating segment (see Note 7).

As a lessee, the Group previously classified leases as operating, based on its assessment of whether the lease transferred substantially all or the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (less than 12 months). The Group recognised the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets within 'property, plant and equipment', within the same line item as it presents underlying assets of the same nature that it owns. The carrying amount of right-of-use assets are as below.

	Property
	\$000s
Balance at January 1, 2019	207
Balance at March 31, 2019	182

(c) Significant accounting policies

The Group recognised a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(d) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include offices and warehouse facility within Macedonian operating segment (see Note 7). All these leases are typically run for a one year period, however leases include an option to renew the lease for an addition undermined period.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at January 1, 2019. Right-of-use assets are measured at either their carrying amount as if IFRS 16 has been applied since the commencement date (based on judgement applied by the Group that date is set for all leases as January 1, 2018), discounted using the lessee's incremental borrowing rate at the date of initial application.

Euromax Resources Ltd.

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

3. Changes in significant accounting policies (continued)

(d) Transition (continued)

The Group applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

(e) Impact on financial statements

Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use, additional lease liabilities, recognising the difference in Accumulated losses and Currency translation reserve. The impact of translation is summarised below.

	January 1, 2019
	\$000s
Right-of-use assets presented in property, plant and equipment	207
Total assets	207
Lease liabilities	214
Currency translation reserve	9
Accumulated losses	(16)
Total liabilities and equity	207

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate of 7% (see Note 10(a))

Impact for the period

As result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised \$0.182 million of right-of-use assets and \$0.189 million of lease liabilities at March 31, 2019, whereby \$0.065 million is current, while \$0.124 million is non-current lease liability.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating rent expense. During the three months ended March 31, 2019, the Group recognised \$0.017 million of depreciation charges and \$0.004 million of interest costs from these leases.

4. Going concern

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

At March 31, 2019, the Group had net assets of \$3.7 million (December 31, 2018: \$4.8 million) and a net working capital deficiency of \$34.9 million (December 31, 2018: \$35.3 million), including cash of \$0.4 million (December 31, 2018: \$1.1 million). The Group's \$34.9 million working capital deficiency at March 31, 2019 largely results from:

- Convertible loans of \$18.6 million (at December 31, 2018: \$19.6 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, and following the closing of the March 2019 Private Placement the maturity of both convertible loans is extended until February 28, 2021 (see Notes 10); and
- Gold purchase advance payments of \$15 million (December 31, 2018: \$15.3 million) received from Royal Gold, AG ("Royal Gold") (see Note 11) 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 Note 10 for more details). As at the date of these consolidated financial statements no termination or repayment notice has been received from Royal Gold.

Euromax Resources Ltd.

Notes to the condensed consolidated interim financial statements - unaudited

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

4. Going concern (continued)

On March 22, 2019, the Group announced a non-brokered private placement (the "March 2019 Private Placement") for gross proceeds of \$10.3 million, which closing is subject to approval and satisfaction of various conditions, including the approval from TSX and the Macedonian competitions commission. For covering the Group's operations until the final closing of the March 2019 Private Placement, the Group managed to arrange an unsecured promissory note in the amount of US\$1 million (the "Promissory Note"), whereby US\$0.5 million were received subsequent to three months ended March 31, 2019. The March 2019 Private Placement was closed on May 13, 2019, subsequent to period ended March 31, 2019, upon satisfaction of all required conditions.

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.

5. Critical accounting judgements and key sources of estimation uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2018, except for the new significant judgments related to lessee accounting under IFRS 16, which are described in Note 3(c).

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

6. Loss per share

	Three months ended March 31,	
	2019	2018
	\$000s	\$000s
Net loss for the period after tax	(2,008)	(3,010)
Basic weighted average number of common shares	166,742,080	135,931,302
Basic and diluted loss per share	(0.01)	(0.02)

For the three months ended March 31, 2019 and 2018, because there would be further reduction in loss per share resulting from the assumption that share options, warrants and convertible loan are exercised or converted, all these instruments are considered 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 the three months ended March 31, 2019 and 2018.

Euromax Resources Ltd.

Notes to the condensed consolidated interim financial statements - unaudited

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

7. Operating segments

The Group's main business is the exploration and development of mineral right interests. 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
Corporate	corporate operations	Canada and UK

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

Three months ended <i>In thousands</i>	Macedonia		Corporate		Total	
	March 31, 2019 *	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019 *	March 31, 2018
Finance expense	(4)	-	(930)	(715)	(934)	(715)
Depreciation	(39)	(41)	-	(1)	(39)	(42)
Amortisation	(1)	(1)	-	-	(1)	(1)
Segment loss before tax	(713)	(392)	(1,295)	(2,618)	(2,008)	(3,010)

As at <i>In thousands</i>	Macedonia		Corporate		Total	
	March 31, 2019 *	December 31, 2018 *	March 31, 2019	December 31, 2018	March 31, 2019 *	December 31, 2018 *
Segment assets	38,747	40,144	541	1,101	39,288	41,245
Segment liabilities	438	192	35,179	36,290	35,617	36,482

* The Group has initially applied IFRS 16 at January 1, 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating lease (see Note 3). As a result, the Group recognised \$0.207 million of right-of-use assets and \$0.214 million of lease liabilities from these lease contracts. The assets and liabilities are included in Macedonian operating segment at March 31, 2019. The Group has applied IFRS 16 using the modified retrospective approach, under which comparative information has not been restated.

Euromax Resources Ltd.

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

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 ("Exploitation Concession") for Ilovica 6 under the rules and regulations of the Minerals Law in Macedonia. The Ilovica 6 Exploitation Concession has an initial term of 30 years and is subject to a state royalty of 2% of the market value of metals contained in concentrate. The Ministry of Environment and Physical Planning in Macedonia (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 (the "FS") for the Ilovica-Shtuka Project, prepared in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").

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

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

During 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, an Environmental and Social Impact Assessment 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 three months ended March 31, 2019 and 2018 is set out below.

Macedonia <i>Ilovica-Shtuka Project</i>	
	\$000s
Balance, January 1, 2018	38,149
Exploration expenditures:	
Feasibility costs	140
Other	3
	38,292
Other items:	
Exchange differences	2,059
Balance, March 31, 2018	40,351
Balance, January 1, 2019	39,918
Exploration expenditures:	
Feasibility costs	23
Other	10
	39,951
Other items:	
Exchange differences	(1,615)
Balance, March 31, 2019	38,336

Euromax Resources Ltd.

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

9. Share capital and reserves

At March 31, 2019 Euromax's authorised share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

	2019		2018	
	Number of shares	Amount \$000s	Number of shares	Amount \$000s
Balance on January 1	166,742,080	74,306	135,815,163	70,260
Common shares issued for:				
Restricted Share Units ("RSUs") exercised	-	-	282,500	75
Balance on March 31	166,742,080	74,306	136,097,663	70,335

On March 22, 2019, the Group announced the March 2019 Private Placement for gross proceeds of \$10.3 million, which was closed on May 13, 2019, subsequent to period ended March 31, 2019.

During February 2018, fully vested 282,500 RSUs were converted into the Company's common shares.

During the three months ended March 31, 2019 and 2018, no share options and no share purchase warrants were exercised.

At March 31, 2019, the Company had 10,100,000 share options outstanding (March 31, 2018: 9,740,000) with exercise prices ranging from \$0.25 to \$0.49 per share and a weighted average exercise price of \$0.34.

During the three months ended March 31, 2018, 1,616,803 share options expired and accordingly related accumulated fair value of \$0.304 million was transferred from equity reserve to accumulated losses.

Additionally, the Company has 64,141,834 share purchase warrants (March 31, 2018: 35,141,834) with exercise prices ranging from \$0.23 to \$0.41 per share and 3,977,717 RSUs (March 31, 2018: 6,716,579) outstanding at March 31, 2019.

10. Loans and borrowings

	March 31, 2019	December 31, 2018
	\$000s	\$000s
EBRD convertible loan	11,433	11,077
CCI convertible loan	7,171	8,507
	18,604	19,584

(a) Terms and conditions

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate *	Year of maturity **	March 31, 2019		December 31, 2018	
				Face value	Carrying amount	Face value	Carrying amount
				\$000s	\$000s	\$000s	\$000s
EBRD convertible loan	US\$	20.00%	2019	6,674	11,433	6,822	11,077
CCI convertible loan	\$	20.00%	2019	5,200	7,171	5,200	8,507
				11,874	18,604	12,022	19,584

* nominal interest rates are set at 20.0% per annum, applied until March 31, 2019, and starting from April 1, 2019 nominal interest rates would be reduced to 7.0% per annum (see Note 10(a) for more details)

** subject to closing of the March 2019 Private Placement, maturity for both EBRD and CCI convertible loan has been subsequently extended until February 28, 2021

Euromax Resources Ltd.

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

10. Loans and borrowings (continued)

(a) Terms and conditions (continued)

EBRD convertible loan

On May 24, 2016 the Company closed the EBRD convertible loan with EBRD and received proceeds of US\$5.0 million (\$6.674 million) (the "Principal Amount"), amended on April 12, 2018 (the "2018 Amendments of the EBRD convertible loan") and further amended in March 2019 (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"). Following the closing of the March 2019 Private Placement, the Maturity of the EBRD convertible loan has been 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 (\$1.895 million) (the "Redemption Amount"),
- a finance delay fee of US\$0.150 million (\$0.200 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.

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.

Following the closing of the March 2019 Private Placement, the Principal Amount, the 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 in March 2019 (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 following the closing of the March 2019 Private Placement its maturity has been 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.

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. Following the closing of the March 2019 Private Placement, the CCI Principal Amount and interest will all be convertible at \$0.15 per common share.

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10. Loans and borrowings (continued)

(b) Recognition and measurement of convertible loans

EBRD convertible loan

EBRD convertible loan	2019	2018
	\$000s	\$000s
Carrying amount at January 1	11,077	8,107
Adjustments recorded during the period:		
Accrued interest	532	379
Fair value adjustment	56	1,275
Foreign exchange movements	(232)	235
Carrying amount at March 31	11,433	9,996

The EBRD convertible loan is designated as at fair value through profit or loss ("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.

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 Fair Value Measurement and hence results in the EBRD convertible loan valuation being a level 3 valuation.

The fair value of the EBRD convertible loan at March 31, 2019 was assessed at \$11.433 million (US\$8.566 million) (March 31, 2018: \$9.996 million or US\$7.757 million), representing an increase of the liability at December 31, 2018, and therefore resulted in fair value loss of \$0.056 million recognised for the three months ended March 31, 2019 (fair value loss of \$1.275 million for the three months ended March 31, 2018).

CCI convertible loan

CCI convertible loan	2019	2018
	\$000s	\$000s
Carrying amount at January 1	8,507	5,776
Adjustments recorded during the period:		
Amount classified as equity element	(1,733)	-
Accrued interest	397	271
Amortisation of transaction costs	-	64
Carrying amount at March 31	7,171	6,111

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.

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10. Loans and borrowings (continued)

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

CCI convertible loan (continued)

Resulting from the significant modification of the CCI convertible loan's conditions, firstly from the 2018 Amendments of the CCI convertible loan, the new financial liability was derecognised and recognised in 2018. That transaction resulted in reversal of initially recognised equity component since the fair value of the liability component had the same value as the recognised compound financial instrument in 2018.

Further to that, the significant modification of the CCI convertible loan's conditions as per the 2019 Amendments of the CCI convertible loan resulted in recognition of newly recognised financial liability in 2019, and derecognition of the existing one. A liability component of this new compound financial instrument was set at \$7.053 million, while the remaining amount of \$1.733 million has been recognised as equity component.

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

11. Gold purchase advance payments

On October 20, 2014 the Group entered into a Gold Purchase and Sale Agreement ("GPSA") with Royal Gold pursuant to which the Group via its wholly-owned subsidiaries, 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.

However, during 2015, under the initial tranche and part of the first anniversary payment the Group received US\$11.25 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 condensed consolidated interim 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 March 31, 2019 and 2018:

	2019	2018
	\$000s	\$000s
Balance on January 1	15,338	14,119
Adjustments recorded during the period:		
Foreign exchange movements	(323)	378
Balance on March 31	15,015	14,497

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12. Related party transactions

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

Transactions with key management personnel

(a) Key management personnel transactions

The Group's related 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, while 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.

	Three months ended March 31,	
	2019	2018
	\$000s	\$000s
Project management fees	19	69
	19	69

At March 31, 2019, the Group owed Wheatley Project Services \$0.007 million (December 31, 2018: \$0.006 million) for services provided in March 2019.

(b) Key management personnel compensation

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2019 and 2018 was as follows:

	Note	Three months ended March 31,	
		2019	2018
		\$000s	\$000s
Short-term employee benefits		185	279
Post-employment benefits	(i)	12	20
Redundancy payments	(ii)	-	103
Share-based payments cost/(recovery)	(iii)	114	(202)
		311	200

- (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) Deferred Phantom Unit Plan ("DPU Plan")

In March 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the Company's directors elected to convert their outstanding unpaid directors' fees into DPUs in lieu of a cash payment. Since 2013, directors who have elected to convert their fees into DPUs, have been making a semi-annual elections for issuing of DPUs in lieu of cash. In September 2018 these directors elected to receive DPUs in lieu of cash until March 31, 2019.

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

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

The total DPUs in issue at March 31, 2019 was 9,525,813 (March 31, 2018: 9,514,884). Share-based payment liabilities of \$0.667 million (December 31, 2018: \$0.577 million) are recognised as current at March 31, 2019. The DPU expense for the three months ended March 31, 2019 was \$0.089 million (March 31, 2018: DPU recovery of \$0.276 million).

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12. Related party transactions (continued)

(d) 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:

	2019	2018
	\$000s	\$000s
Balance on January 1	349	617
Foreign exchange movements	(1)	30
Balance on March 31	348	647

The remaining balance of \$0.348 million is unsecured and repayable in full on or before April 30, 2019.

13. Subsequent events

Subsequent to March 31, 2019 the following reportable events have occurred:

- On April 9, 2019 the Group received US\$0.5 million under the Promissory Note;
- On May 1, 2019, Mr. Nicolas Treand has been appointed as a Non-Executive Director of the Company; and
- The March 2019 Private Placement was closed on May 13, 2019, upon satisfaction of all required conditions.