UNAUDITED CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

Expressed in Canadian dollars

# NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

# Euromax Resources Ltd.

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

(Expressed in Canadian dollars)

| | Note | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | | **$000s** | $000s | **$000s** | $000s |
| ***Continuing operations*** | | | | | |
| **Operating expenses** | | | | | |
| Accounting, legal and professional | | **(210)** | (107) | **(332)** | (267) |
| Depreciation | **6** | **(34)** | (29) | **(76)** | (68) |
| Amortisation | **6** | **(1)** | - | **(2)** | (1) |
| Office and general | | **(71)** | (82) | **(127)** | (167) |
| Regulatory, filing and transfer agent | | **(5)** | (9) | **(34)** | (57) |
| Rent | | **(64)** | (79) | **(143)** | (157) |
| Salaries, director and consultant fees | | **(433)** | (775) | **(1,227)** | (1,255) |
| Share-based payments recovery | | **68** | 87 | **142** | 2,314 |
| Investor and public relations | | **(25)** | (60) | **(67)** | (134) |
| Travel | | **(32)** | (95) | **(55)** | (168) |
| Exploration and evaluation costs | | **-** | (64) | **(2)** | (67) |
| (Loss)/gain on foreign exchange | | **(1,080)** | 809 | **(987)** | 1,163 |
| **Operating (loss)/profit** | | **(1,887)** | (404) | **(2,910)** | 1,136 |
| Finance expense | **6** | **(2,065)** | (783) | **(2,780)** | (1,444) |
| Fair value (loss)/gain on financial liabilities | **10 (b)** | **676** | 405 | **(599)** | 3,231 |
| **Net finance (loss)/income** | | **(1,389)** | (378) | **(3,379)** | 1,787 |
| **Other items** | | | | | |
| Other income | | **4** | 1 | **7** | 5 |
| **(Loss)/profit from continuing operations before tax** | | **(3,272)** | (781) | **(6,282)** | 2,928 |
| Income tax expense | | **(1)** | (3) | **(1)** | (12) |
| **(Loss)/profit from continuing operations** | | **(3,273)** | (784) | **(6,283)** | 2,916 |
| ***Discontinued operation*** | | | | | |
| Loss from discontinued operation, net of tax | **7** | **-** | (323) | **-** | (406) |
| **(Loss)/profit for the year** | | **(3,273)** | (1,107) | **(6,283)** | 2,510 |
| **Other comprehensive (loss)/income, net of tax:** | | | | | |
| *Items that are or may be reclassified subsequently to profit or loss* | | | | | |
| Cumulative translation adjustment on foreign subsidiaries | | **(776)** | 685 | **506** | 827 |
| Recycling of exchange losses on disposal of foreign subsidiaries | | **-** | 15 | **-** | 15 |
| **Total other comprehensive income/(loss), net of tax** | | **(776)** | 700 | **506** | 842 |
| **Total comprehensive (loss)/income for the period** | | **(4,049)** | (407) | **(5,777)** | 3,352 |
| **(Loss)/earnings per common share** | | | | | |
| Basic (loss)/earnings per common share | **5** | **(0.02)** | (0.01) | **(0.04)** | 0.02 |
| Diluted loss per common share | **5** | **(0.02)** | (0.01) | **(0.04)** | (0.00) |
| **Weighted average number of common shares outstanding** | | | | | |
| Basic weighted average number of common shares outstanding | **5** | **162,415,795** | 120,334,598 | **149,246,710** | 119,003,447 |
| Diluted weighted average number of common shares outstanding | **5** | **162,415,795** | 163,231,911 | **149,246,710** | 161,645,866 |

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

Condensed consolidated interim statements of financial position - unaudited

(Expressed in Canadian dollars)

| | Note | As at June 30, 2018 $000s | December 31, 2017 $000s |
|---|---|---|---|
| **ASSETS** | | | |
| **Current** | | | |
| Cash and cash equivalents | | **2,528** | 524 |
| Trade and other receivables | | **41** | 42 |
| Other current assets | | **125** | 124 |
| Contingent consideration | | **479** | 455 |
| Total current assets | | **3,173** | 1,145 |
| **Non-current assets** | | | |
| Property, plant and equipment | | **168** | 240 |
| Intangible assets | | **2** | 4 |
| Unproven mineral right interests | **8** | **39,163** | 38,149 |
| Total assets | | **42,506** | 39,538 |
| **LIABILITIES** | | | |
| **Current** | | | |
| Trade and other payables | | **937** | 1,466 |
| Gold purchase advance payments | **11** | **14,846** | 14,119 |
| Working capital loan | **12 (d)** | **425** | 617 |
| Loans and borrowings | **10** | **17,722** | 13,883 |
| Share-based payment liabilities | **12 (c)** | **1,287** | 2,559 |
| Total liabilities | | **35,217** | 32,644 |
| **EQUITY** | | | |
| Share capital | **9** | **74,266** | 70,260 |
| Equity reserve | | **10,900** | 9,452 |
| Convertible loan reserve | | **762** | 762 |
| Currency translation reserve | | **4,545** | 4,039 |
| Accumulated losses | | **(83,184)** | (77,619) |
| Total equity | | **7,289** | 6,894 |
| Total liabilities and equity | | **42,506** | 39,538 |

| | |
|---|---|
| Nature of operations | **1** |
| Subsequent events | **14** |

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 six months ended June 30, 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 | | | - | - | - | - | 2,510 | 2,510 |
| Other comprehensive income for the year | | | - | - | - | 842 | - | 842 |
| *Total comprehensive income for the year* | | | - | - | - | *842* | *2,510* | *3,352* |
| *Transactions with owners of the Company* | | | | | | | | |
| Financing, net of issue costs | **9** | 3,491,861 | 1,421 | - | - | - | - | 1,421 |
| Equity-settled share-based payments | | | - | 193 | - | - | - | 193 |
| *Total transactions with owners of the Company* | | | *1,421* | *193* | - | - | - | *1,614* |
| Balance on June 30, 2017 | | 120,334,598 | 67,396 | 10,079 | 762 | 3,681 | (81,721) | 197 |
| ***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** | | | **-** | **-** | **-** | **-** | **(6,283)** | **(6,283)** |
| **Other comprehensive income for the year** | | | **-** | **-** | **-** | **506** | **-** | **506** |
| ***Total comprehensive loss for the year*** | | | **-** | **-** | **-** | ***506*** | ***(6,283)*** | ***(5,777)*** |
| ***Transactions with owners of the Company*** | | | | | | | | |
| **Financing, net of issue costs** | **9** | **29,000,000** | **3,612** | **1,429** | **-** | **-** | **-** | **5,041** |
| **Exercised equity-settled share-based payments** | **9** | **1,926,917** | **394** | **(394)** | **-** | **-** | **-** | **-** |
| **Equity-settled share-based payments** | | | **-** | **381** | **-** | **-** | **-** | **381** |
| **Conversion of cash-settled into equity-settled share-based payments** | **9** | | **-** | **555** | **-** | **-** | **-** | **555** |
| **Cancellation of equity-settled share-based payments** | **9** | | **-** | **(219)** | **-** | **-** | **414** | **195** |
| **Transfer of expired share options** | **9** | | **-** | **(304)** | **-** | **-** | **304** | **-** |
| ***Total transactions with owners of the Company*** | | | ***4,006*** | ***1,448*** | **-** | **-** | ***718*** | ***6,172*** |
| **Balance on June 30, 2018** | | **166,742,080** | **74,266** | **10,900** | **762** | **4,545** | **(83,184)** | **7,289** |

See accompanying notes to the condensed consolidated interim financial statements.

# Euromax Resources Ltd.

Condensed consolidated interim statements of cash flows - unaudited

(Expressed in Canadian dollars)

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2018** | 2017 |
| | **Note** | **$000s** | $000s |
| **OPERATING ACTIVITIES** | | | |
| (Loss)/profit before tax | | **(6,282)** | 2,527 |
| *Add back:* | | | |
| Depreciation | **6** | **76** | 88 |
| Amortisation | **6** | **2** | 3 |
| Finance expense | **6** | **2,780** | 1,447 |
| Share-based payments recovery | | **(142)** | (2,314) |
| Unrealised foreign exchange loss/(gain) | | **929** | (1,142) |
| Fair value loss/(gain) on financial liabilities | **10 (b)** | **599** | (3,231) |
| Loss on disposal of discontinued operations, net of tax | **7 (a)** | **-** | 436 |
| *Changes in non-cash working capital items:* | | | |
| Increase in trade and other receivables and prepayments and deposits | | **-** | (64) |
| (Decrease)/increase in trade and other payables | | **(403)** | 555 |
| **Cash used in operating activities** | | **(2,441)** | (1,695) |
| **INVESTING ACTIVITIES** | | | |
| Expenditures on unproven mineral right interests | | **(320)** | (1,025) |
| Proceeds from sold property, plant and equipment | | **2** | - |
| Purchases of property, plant and equipment and intangible assets | | **-** | (4) |
| Disposal of discontinued operation, net of cash disposed of | **7 (c)** | **-** | (114) |
| **Cash used in investing activities** | | **(318)** | (1,143) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from share issue | **9** | **5,220** | 1,430 |
| Share issue costs | **9** | **(200)** | (9) |
| Proceeds from working capital loan | **12 (d)** | **-** | 534 |
| Repayment of working capital loan | **12 (d)** | **(213)** | - |
| Interest paid | | **(3)** | (8) |
| **Cash provided by financing activities** | | **4,804** | 1,947 |
| Effect of exchange rate changes on cash | | **(41)** | (55) |
| Net change in cash and cash equivalents | | **2,045** | (891) |
| Cash and cash equivalents, beginning of the period | | **524** | 1,063 |
| **Cash and cash equivalents, end of the period** | | **2,528** | 117 |

See accompanying notes to the condensed consolidated interim 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 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 ("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 condensed consolidated interim financial statements were authorised for issue by the Company's board of directors on August 13, 2018.

## 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, 2017, which were prepared in accordance with IFRS as issued by the IASB.

The Group has applied the same accounting policies and methods of computation in these condensed consolidated interim financial statements as it did in the audited consolidated financial statements for the year ended December 31, 2017. From January 1, 2018, IFRS 9 Financial Instruments has become effective in full, but related provisions do not have a material effect on the Group's financial statements.

## 3. Going concern

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

At June 30, 2018, the Group had net assets of $7.3 million (December 31, 2017: $6.9 million) and a net working capital deficiency of $32.0 million (December 31, 2017: $31.5 million), including cash of $2.5 million (December 31, 2017: $0.5 million). The Group's $32.0 million working capital deficiency at June 30, 2018 largely results from:

- Convertible loans of $17.7 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 December 31, 2018 (see Note 10);
- Gold purchase advance payments of $14.8 million (December 31, 2017: $14.1 million) received from Royal Gold, AG ("Royal Gold") (see Note 11); and
- Share-based payment liabilities of $1.3 million (December 31, 2017: $2.6 million) owing to the Group's directors and officers in lieu of cash compensation (see Note 12(c)).

These three items are classified as current liabilities as contractually repayment may be required within the next twelve months. Both convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before December 31, 2018. As at the date of these condensed consolidated interim financial statements no termination or repayment notice has been received from Royal Gold. Additionally, no cash payments are anticipated in connection with share based payment liabilities to any director or executive.

## 3. 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 9).

The Company's board of directors have reviewed the Group's forecasts for the period to December 31, 2019, including all costs for obtaining all necessary permits for Ilovica-Shtuka gold-copper project in Macedonia (the "Ilovica-Shtuka Project") (including urbanisation and land acquisition activities).

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 Group can raise additional debt or equity funding, this is not wholly within the Group's control. As such, this represents a material uncertainty which casts a significant doubt about the Group's continued ability to operate as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2017.

## 5. (Loss)/earnings per share

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **$000s** | $000s | **$000s** | $000s |
| Net (loss)/profit for the period after tax | **(3,273)** | (1,107) | **(6,283)** | 2,510 |
| Basic weighted average number of common shares | **162,415,795** | 120,334,598 | **149,246,710** | 119,003,447 |
| **Basic (loss)/earnings per share** | **(0.02)** | (0.01) | **(0.04)** | 0.02 |
| | | | | |
| Diluted net loss for the period after tax | **(3,273)** | (1,364) | **(6,283)** | (122) |
| Diluted weighted average number of common shares | **162,415,795** | 163,231,911 | **149,246,710** | 161,645,866 |
| **Diluted loss per share** | **(0.02)** | (0.01) | **(0.04)** | (0.00) |

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

| | | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | **Note** | | | | |
| Basic weighted average number of common shares | | **162,415,795** | 120,334,598 | **149,246,710** | 119,003,447 |
| Effect of share options and warrants | | **-** | 7,128,214 | **-** | 8,701,194 |
| Effect of conversion of convertible loans | **10** | **-** | 35,769,099 | **-** | 33,941,225 |
| **Diluted weighted average number of common shares** | | **162,415,795** | 163,231,911 | **149,246,710** | 161,645,866 |

For the three and six months period ended June 30, 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 and six months period ended June 30, 2018.

## 6. Operating segments

The Group's main business is the exploration and development of mineral right interests, while its secondary business, i.e. provision of exploration services to third party resource companies, was disposed of on June 27, 2017 (See Note 7). The Group's board of directors (the Group's Chief Operating Decision Maker) has arranged the Group's operating segments by both type of business and by geographic region. No operating segments have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable segments are as follows:

| Reportable segments | Operations | Geografic location |
|---|---|---|
| Macedonia | exploration and development of mineral right interests | Macedonia |
| Exploration Services | exploration and evaluation services | Bulgaria |
| Corporate | corporate operations | Canada and UK |

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** | | **Corporate** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| **Six months ended** | **June 30,** | June 30, | **June 30,** | June 30, | **June 30,** | June 30, | **June 30,** | June 30, |
| *In thousands* | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| External revenues | **-** | - | **-** | 686 | **-** | - | **-** | 686 |
| Finance expense | **(1)** | (1) | **-** | (3) | **(2,779)** | (1,443) | **(2,780)** | (1,447) |
| Depreciation | **(75)** | (66) | **-** | (20) | **(1)** | (2) | **(76)** | (88) |
| Amortisation | **(2)** | (1) | **-** | (2) | **-** | - | **(2)** | (3) |
| Segment (loss)/profit before tax | **(1,779)** | (697) | **-** | (401) | **(4,503)** | 3,625 | **(6,282)** | 2,527 |

| | **Macedonia** | | **Exploration Services** | | **Corporate** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| **As at** | **June 30,** | December 31, | **June 30,** | December 31, | **June 30,** | December 31, | **June 30,** | December 31, |
| *In thousands* | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| Segment assets | **39,503** | 38,470 | **-** | - | **3,003** | 1,068 | **42,506** | 39,538 |
| Segment liabilities | **479** | 529 | **-** | - | **34,738** | 32,115 | **35,217** | 32,644 |

## 7. Discontinued operation

### *(a) Results of discontinued operations*

On June 27, 2017 the Group disposed of its Bulgarian exploration service company for total consideration of $0.185 million (€0.124 million).

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **$000s** | $000s | **$000s** | $000s |
| External revenues | - | 473 | - | 686 |
| External expenses | - | (348) | - | (651) |
| **Results from operating activities** | - | 125 | - | 35 |
| Income tax | - | (12) | - | (5) |
| **Loss from discontinued operation, net of tax** | - | 113 | - | 30 |
| Loss on disposal of discontinued operation | - | (436) | - | (436) |
| **Loss from discontinued operation, net of tax** | - | (323) | - | (406) |
| **Basic loss per share** | - | (0.00) | - | (0.00) |
| **Diluted loss per share** | - | (0.00) | - | (0.00) |

### *(b) Cash used in discontinued operations*

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **$000s** | $000s |
| Net cash used in operating activities | - | (133) |
| Net cash used in investing activities | - | (115) |
| **Net cash used for the period** | - | (248) |

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

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

## 8. Unproven mineral right interests

### *Macedonia*

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

**8. Unproven mineral right interests (continued)**

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, 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 unproven mineral right interests in the six months ended June 30, 2018 and 2017 is set out below.

| | **Macedonia**<br>*Ilovica-Shtuka Project* |
|---|---|
| | $000s |
| **Balance, January 1, 2017** | 34,464 |
| **Exploration expenditures:** | |
| Feasibility costs | 727 |
| Social & environmental costs | 106 |
| Other | 21 |
| | 35,318 |
| **Other items:** | |
| Exchange differences | 1,251 |
| **Balance, June 30, 2017** | 36,569 |
| | |
| **Balance, January 1, 2018** | **38,149** |
| **Exploration expenditures:** | |
| Feasibility costs | **193** |
| Social & environmental studies | **15** |
| | **38,357** |
| **Other items:** | |
| Exchange differences | **806** |
| **Balance, June 30, 2018** | **39,163** |

## 9. Share capital and reserves

At June 30, 2018 Euromax's authorised share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** | Number of shares | Amount |
| | | **$000s** | | $000s |
| **Balance on January 1** | **135,815,163** | **70,260** | 116,842,737 | 65,975 |
| Common shares issued for: | | | | |
| Financing, net of issue costs | **29,000,000** | **3,612** | 3,491,861 | 1,421 |
| Equity-settled share-based payments exercised | **1,926,917** | **394** | - | - |
| **Balance on June 30** | **166,742,080** | **74,266** | 120,334,598 | 67,396 |

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.

The aggregate fair market value of the share purchase warrants and the shares issued in the April 2018 Private Placement was distributed on a pro-rata basis between share capital and equity reserve. The fair value of the share purchase warrants was estimated at $0.051 per share purchase warrant, or in total of $1.479 million for all issued 29 million share purchase warrants, at the grant date by using the Black-Scholes option pricing model.

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. Major part of these share issued costs, i.e. $ $0.117 million, were paid during the six months ended June 30, 2018.

Additionally, during the six months ended June 30, 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 Note 11(a) of audited consolidated financial statements for the year ended December 31, 2017).

During the six months ended June 30, 2018, 1,926,917 fully vested Restricted Share Units ("RSUs") were converted into the Company's common shares, of which 1,361,917 RSUs had been converted from fully vested Deferred Phantom Units ("DPUs") at fair value of $0.273 million, relating to a director who left the Company.

A further 1,483,600 DPUs at fair value of $0.282 million and 2,029,442 RSUs at fair value of $0.510 million, relating to an executive director who left the Company, were converted into 1,750,000 share options, as part of his settlement agreement, with an exercise price at $0.30 and contractual life of 3 years, vested immediately. As a result of the termination of the employment of key management personnel of the Company, 697,200 DPUs at fair value of $0.195 million and 941,920 RSUs at fair value of $0.219 million were cancelled, and accordingly $0.219 million was transferred from equity reserve to accumulated losses.

During the six months ended June 30, 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.

On March 14, 2017 the Company closed a non-brokered private placement (the "March 2017 Private Placement") by issuing of 3,325,582 common shares at a price of $0.43 to a consortium of investors for total proceeds of $1.430 million. The Company incurred share issue costs of $0.080 million in connection with the March 2017 Private Placement, of which $0.071 million were compensated by issuing of 166,279 common shares at a price of $0.43, while remaining $0.009 million were paid in cash.

At June 30, 2018, the Company had 10,340,000 share options outstanding (June 30, 2017: 9,273,470) with exercise prices ranging from $0.18 to $0.49 per share (June 30, 2017: from $0.18 to $1.02) and a weighted average exercise price of $0.33 (June 30, 2017: $0.39).

Additionally, the Company has 64,141,834 share purchase warrants (June 30, 2017: 20,141,835) with exercise prices ranging from $0.23 to $0.41 per share (June 30, 2017: from $0.40 to $0.41) and 3,977,717 RSUs (June 30, 2017: 1,864,076) outstanding at June 30, 2018.

## 10. Loans and borrowings

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

| | **June 30, 2018** | December 31, 2017 |
|---|---|---|
| | **$000s** | $000s |
| EBRD convertible loan | **9,984** | 8,107 |
| CCI convertible loan | **7,738** | 5,776 |
| | **17,722** | 13,883 |

### *(a) Terms and conditions*

The terms and conditions of outstanding loans are as follows:

| | | | | **June 30, 2018** | | December 31, 2017 | |
|---|---|---|---|---|---|---|---|
| | **Currency** | **Nominal interest rate*** | **Year of maturity** | **Face value** | **Carrying amount** | Face value | Carrying amount |
| | | | | **$000s** | **$000s** | $000s | $000s |
| EBRD convertible loan | US$ | 20.00% | 2018 | **6,598** | **9,984** | 6,277 | 8,107 |
| CCI convertible loan | $ | 20.00% | 2018 | **5,200** | **7,738** | 5,200 | 5,776 |
| | | | | **11,798** | **17,722** | 11,477 | 13,883 |

* 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 ($6.598 million) (the “Principal Amount”), and amended on April 12, 2018 (the “Amendment of the EBRD convertible loan”).

The EBRD convertible loan matures on December 31, 2018 (extended from April 30, 2018) or earlier, upon an equity financing of at least US$50 million (“Maturity”). Upon Maturity, the Company will be required to pay or convert:

- the Principal Amount,
- an amount of US$1.420 million ($1.874 million) (the “Redemption Amount”),
- a finance delay fee of US$0.150 million ($0.198 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 December 31, 2018 on collectively the Principle Amount, the Redemption Amount, the Fee and the Interest at April 30, 2018 at a rate of 20% per annum, 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 (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.

***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”), and amended on April 12, 2018 (the “Amendment of the CCI convertible loan”).

Based on the Amendment of the CCI convertible loan, the CCI matures on December 31, 2018 (extended from April 30, 2018) and incurred a fixed interest rate of 20% per annum, compounded annually (changed from interest rate of 9% per annum, compounded daily) which has to be applied retrospectively from May 20, 2016, repayable at maturity.

## 10. Loans and borrowings (continued)

### *(a) Terms and conditions (continued)*

***CCI convertible loan (continued)***

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.

### *(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 period: | | |
| Accrued interest | **815** | 745 |
| Fair value adjustment | **599** | (3,231) |
| Foreign exchange movements | **463** | (268) |
| **Carrying amount at June 30** | **9,984** | 8,433 |

The EBRD convertible loan is classified as a financial liability at fair value through profit or loss, 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 effect of the change of the credit risk should be presented in other comprehensive income or loss, i.e. to be transferred from profit or loss. However, related adjustment for the EBRD convertible loan is immaterial, and therefore not reflected in these condensed consolidated interim financial statements.

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 June 30, 2018 was assessed at $9.984 million (US$7.566 million) (June 30, 2017: $8.433 million or US$6.475 million), representing a decrease of the liability at March 31, 2018 that resulted in fair value gain of $0.676 million for the three months ended June 30, 2018 (2017: $0.405 million), and an increase of the liability at December 31, 2017 that resulted in fair value loss of 0.599 million for the six months ended June 30, 2018 (2017: gain of $3.231 million).

***CCI convertible loan***

| **CCI convertible loan** | **2018** | 2017 |
|---|---|---|
| | **$000s** | $000s |
| **Carrying amount at January 1** | **5,776** | 4,551 |
| Adjustments recorded during the period: | | |
| Accrued interest | **1,877** | 463 |
| Amortisation of transaction costs | **85** | 128 |
| **Carrying amount at June 30** | **7,738** | 5,142 |

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.

## 10. Loans and borrowings (continued)

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

***CCI convertible loan (continued)***

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.

The retrospective application of increased fixed rate of 20% per annum, compounded annually, (see Note 10(a)), resulted in additional interest expense of $1.252 million recognised for the three months ended June 30, 2018.

## 11. Gold purchase advance payments

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

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

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

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

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

On November 4, 2015 under the Second Amendment to the GPSA, the Group received part of the first anniversary payment of US$3.75 million.

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

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

The following is a summary of the changes in the GPSA advance payments as at June 30, 2018 and 2017:

| | **2018** | 2017 |
|---|---|---|
| | **$000s** | $000s |
| **Balance on January 1** | **14,119** | 15,150 |
| Adjustments recorded during the period: | | |
| Foreign exchange movements | **727** | (499) |
| **Balance on June 30** | **14,846** | 14,651 |

## 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 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.

| | Six months ended June 30, | |
|---|---|---|
| | **2018** | 2017 |
| | **$000s** | $000s |
| Project management fees | **83** | 152 |
| | **83** | 152 |

At June 30, 2018, the Group owed Wheatley Project Services $0.007 million (December 31, 2017: Trentside Projects Limited – $0.013 million) for services provided during June 2018.

***(b) Key management personnel compensation***

The remuneration of directors and other members of key management personnel during the six months ended June 30, 2018 and 2017 was as follows:

| | | Six months ended June 30, | |
|---|---|---|---|
| | **Note** | **2018** | 2017 |
| | | **$000s** | $000s |
| Short-term employee benefits | | **497** | 755 |
| Post-employment benefits | (i) | **32** | 46 |
| Redundancy payments | (ii) | **103** | - |
| Share-based payments recovery | (iii) | **(314)** | (2,314) |
| | | **318** | (1,513) |

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

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

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

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

In March 2013 Euromax introduced a DPU Plan for its directors and key management personnel. Under the terms of the plan the Company's 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 March 2018 these directors elected to receive DPUs in lieu of cash until September 30, 2018.

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 ("GDXJ"), 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 GDXJ's price performance.

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

## 12. Related party transactions (continued)

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

The total DPUs in issue at June 30, 2018 was 6,432,505 (June 30, 2017: 13,671,131). Share-based payment liabilities of $1.287 million (December 31, 2017: $2.559 million) are recognised as current at June 30, 2018. The DPU recovery for the three and six months ended June 30, 2018 was $0.248 million (2017: $0.184 million) and $0.523 million (2017: $2.507 million), respectively.

### *(d) Working capital loan*

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

| | **2018** | 2017 |
|---|---|---|
| | **$000s** | $000s |
| **Balance on January 1** | **617** | - |
| Proceeds received from working capital loan | **-** | 534 |
| Repayment of working capital loan | **(213)** | - |
| Accrued interest | **-** | 104 |
| Foreign exchange movements | **21** | (16) |
| **Balance on June 30** | **425** | 622 |

During the three months ended June 30, 2018, the Group repaid $0.213 million of the working capital loan to two directors that left the Company.

The working capital loan of $0.425 million is unsecured and repayable in full on or before December 31, 2018, and it incurs a one off interest rate of 20% that was fully accrued for the year ended December 31, 2017.

## 13. Contingencies and commitments

The Group had the following future contractual obligations as at June 30, 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** |

## 14. Subsequent events

There have been no reportable events occur subsequent to June 30, 2018.