
# MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2015

## INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of Euromax Resources Ltd. ("Euromax" or "Company") and its subsidiary companies (collectively, the "Group") is prepared as of April 29, 2016 and should be read in conjunction with the Group's audited consolidated financial statements and related notes for the years ended December 31, 2015 ("FY15") and December 31, 2014 ("FY14"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are consistent with those adopted and disclosed in the previous reporting periods. The Group's functional and reporting currency is the Canadian dollar and all figures in this MD&A are in Canadian dollars unless otherwise indicated.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Euromax's common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "EOX".

## CORPORATE STRATEGY

The Group's ambition is to become the leading gold and base metal mining company in Europe. The Group operates in two sectors in the mining industry: 1) the exploration and development of mineral right interests; and, 2) the provision of exploration and evaluation services. We will strive to set the standard for developing mines in Europe by using industry best practices at our operations and implementing the highest standard for environmental management and managing health and safety in the work place.

The Group mission is to bring Ilovica gold-copper project in Macedonia ("Ilovica Project") into production within the next four years and grow the value of our business by maximising the potential of the Ilovica Project as our flagship asset. Delivery of value for our shareholders is key and we intend to pursue a suite of financing alternatives such that we may grow our business without diminishing value for shareholders.

As part of all our activities we will engage with and empower communities to be part of our projects and we will look to create mutually beneficial opportunities for all our stakeholders including local businesses, communities and employees.

## 2015 HIGHLIGHTS

### *Ilovica Feasibility Study*

Subsequent to year end, on January 6, 2016, the Group announced the results of the Feasibility Study ("FS"), which was carried out during 2015. The highlights of the FS are summarised in details within the "Projects, Ilovica Project – Macedonia" section.

### *Non-brokered private placement of $7.874 million*

On January 12, 2015, the Company closed a non-brokered private placement ("Private Placement") consisting of 31,495,397 common shares of the Company at a price of $0.25 per share for total proceeds of $7.874 million. Additionally, the investors received 7,946,713 share purchase warrants. Each share purchase warrant is exercisable to acquire one common share of the Company at a price of $0.40 until January 12, 2020.

### *US$175 million Gold Purchase and Sale Agreement with Royal Gold*

On October 20, 2014, the Group entered into a Gold Purchase and Sale Agreement ("GPSA") with Royal Gold, AG ("Royal Gold") pursuant to which the Group via its wholly-owned subsidiaries agreed to sell an equivalent of 25% of future gold production from the Ilovica 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 Project's future gold production.

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. Euromax 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. The remaining part of US$3.75 million is expecting to be received during 2016, once the conditions under the Second Amendment to the GPSA have been satisfied.

A third tranche of US$160 million will be received, pro-rata with other funding sources, from Royal Gold over the course of the construction period for the Ilovica Project, subject to the satisfaction of certain conditions.

## 2015 HIGHLIGHTS - CONTINUED

### *US$175 million Gold Purchase and Sale Agreement with Royal Gold – continued*

Under the GPSA, Euromax is permitted to raise up to US$215 million of senior ranking debt finance to fund mine construction and operations, in addition to capital equipment leases and equipment financing customary for similar projects. Royal Gold's 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 ceases once its entire advance payment has been offset against gold deliveries.

### *In-Principle UFK Eligibility and Mandating of Société Générale S.A., UniCredit Bank AG and Caterpillar Financial to arrange and provide a US$240 million Debt Package*

On February 16, 2015, a UFK in-principle eligibility ("UFK Support") was received for the German Untied Loan Guarantee Scheme (UFK – Garantien für Ungebundene Finanzkredite) to provide cover for a project finance facility on the assumption that a copper concentrate offtake agreement is entered into with a German owned smelter and subject to due diligence and approval by the German Government.

On April 24, 2015 Euromax Resources Ltd and Euromax Resources DOO Skopje executed a Mandate Letter and Term Sheet with Société Générale S.A. and UniCredit Bank AG and Unicredit Bank Austria AG to provide up to US$215 million of Senior Secured Project Finance ("Project Facility"), subject to due diligence and all necessary approvals, which alongside the GPSA shall be used to finance the development of the Ilovica Project.

The key terms of the Project Facility are:

- Facility amount of up to US$215 million;
- Tenor of up to 12 years, subject to the UFK Support;
- Pre-completion Margin of 3.75% - 4.25% above Libor; Post-completion Margin of 2.75% - 3.25% above Libor; and
- Customary financial ratios, security, completion support and covenants for a facility of this nature.

On April 28, 2015 Euromax Resources Ltd and Euromax Resources DOO Skopje executed a Mandate Letter and Term Sheet with Caterpillar Financial to arrange an equipment financing facility for up to US$25 million ("Equipment Facility"), to finance any Caterpillar equipment purchased for the Ilovica Project. Key terms of the Equipment Facility:

- Facility amount of up to US$25 million;
- Tenor of up to 5 years,
- Margin of 4.50% - 5.50% above Libor; and
- Customary financial ratios, security, completion support and covenants for a facility of this nature.

### *Offtake Term Sheet signed with Aurubis AG ("Aurubis")*

On December 8, 2015, the Group announced that it had entered into a Term Sheet for the offtake of its copper-gold concentrate production from the Ilovica Project with Aurubis. As explained above the UKF in-principle eligibility for any project finance was on the assumption that a copper concentrate offtake agreement was entered into with a German owned smelter.

Subject to the requirements of the UFK, the Group has agreed to sell up to 100% of the copper-gold concentrate production for up to 10 years at standard terms to Aurubis. The delivery will be made under DAP conditions (as per Incoterms 2010) to the Pridop Smelter in Bulgaria.

### *Option Agreement for Karavansalija Mineralised Complex ("KMC")*

On October 19, 2015, the Group announced that it had entered into an option agreement ("Option Agreement") whereby upon exercise a third party optionee ("Optionee") will acquire Euromax's 96% shareholding in South Danube Metals d.o.o. Beograde ("SDM"), which has title to the KMC exploration permit. The key terms of the Option Agreement are as follows:

- A one-year option ("Option") to purchase Euromax's 96% shareholding in SDM for a cash payment of US$0.500 million;
- The Optionee to fund a minimum of 1,200 metres of drilling required to secure the extension of the KMC exploration permit by March 2016; and
- Euromax will be responsible for fixed costs related to SDM until the extension of the KMC exploration permit has been secured. Thereafter, the Optionee will be responsible for SDM's fixed costs.

## 2015 HIGHLIGHTS - CONTINUED

### *Option Agreement for Karavansalija Mineralised Complex ("KMC") – continued*

On exercise of the Option, the Net Smelter Returns Royalty Agreement between Euromax and Freeport-McMoran Exploration Company will be assigned to the Optionee.

The Optionee satisfied the minimum required work programme on KMC, and on March 16, 2016 the KMC exploration permit was successfully renewed for further two years.

### *Euromax Exploration Services EOOD ("EES")*

EES has continued delivering its exploration services under a five-year framework agreement on the Babjak and Zlataritza projects in Bulgaria. Management is delighted with the progress made by EES during FY15, which has recorded revenues of $4.729 million (FY14: $2.695 million) and generated gross profits of $0.724 million (FY14: $0.444 million) which have made a positive contribution to reducing the Group's cost base.

In September 2015 EES secured a work programme with the Optionee of SDM to perform the minimum work programme required on the KMC exploration licence in Serbia, which was performed during the quarter ended December 31, 2015 ("*Q4-2015"*).

EES is continuing to perform the 2015 work programme for its main client on both the Babjak and Zlataritza projects and potential exists for additional work to be performed on these projects in 2016 and beyond. Additionally EES management continues to pursue additional contracts with other mineral exploration companies operating in Europe.

## PROJECTS

This section outlines the exploration activities carried out in the year ended December 31, 2015. Patrick Forward, Chief Operating Officer, is the Qualified Person responsible for the review of the technical information contained in this section of the Group's MD&A.

## Ilovica Project – Macedonia

In December 2015 technical work on the Group's Ilovica Project culminated in the finalisation of the FS for the Ilovica Project. The results of the FS were announced on January 6, 2016.

The FS supports the economic robustness of the Ilovica Project previously indicated by the Pre-Feasibility Study ("PFS") and, through the optimization of the processing flow sheet and a more precise level of costing, demonstrates significant reductions in both capex and operating costs, and a consequential increase in the IRR.

### *FS Highlights*

**Financial**

- Pre-tax NPV(5%) of US$513.0 million and Post-tax NPV(5%) of US$440.1 million[1];
- Pre-tax IRR of 19.8% and Post-tax IRR of 17.8%; and
- Initial Capex US$474.3 million including contingency.

**Reserves & Resources**

- Total Measured and Indicated Resources of 256.8 million tonnes sulphide material containing:
  - 2.60 million ounces of gold at an average grade of 0.32 g/t Au; and
  - 1,208.5 million pounds (548 thousand tonnes) of copper at an average grade of 0.21% Cu.
- Total Proven & Probable Mineral Reserve of 198.1 million tonnes containing:
  - 2.01 million ounces of gold at an average grade of 0.32 g/t Au; and
  - 898.9 million pounds (408 thousand tonnes) of copper at an average grade of 0.21% Cu.

[1] *Based on Analyst Consensus Long Term Price Forecasts of US$1,220.00/oz Au, US$2.90/lb Cu and US$18.00/oz Ag*

## PROJECTS - CONTINUED

### Ilovica Project – Macedonia - continued

**Operational**

- Average annual payable production of 83,000 ounces of gold and 16,000 tonnes of copper;
- Throughput of 10 million tonnes per annum and mine life of 20 years;
- Conventional open pit with strip ratio of 1:1;
- Process comprises flotation to a copper-gold concentrate and doré production via Carbon-in-Leach ("CIL") on cleaner-scavenger tailings; and
- Average overall process recoveries of 83.3% gold and 81.3% copper.

The FS further develops and increases the level of engineering for the Ilovica Project from the PFS, announced on June 5, 2014, and as per the Amended Technical Report, filed on SEDAR on December 22, 2014.

The FS was produced by the following experts who worked with the Group's technical team:

- Amec Foster Wheeler – Processing Plant & Infrastructure and overall report coordination;
- Tetra Tech – Geology & Resources;
- DMT – Mining;
- Golder Associates – Social and Environmental aspects; Tailings in association with the Faculty of Civil Engineering from St. Cyril and Methodius University of Skopje; and
- Schlumberger Water Services – Hydrology & Hydrogeology, Water.

**Project Advancement**

With the completion of the FS, the Group is well positioned to continue the development through to construction of the Ilovica Project. The Front-End Engineering and Design ("FEED") work has already been initiated with Amec Foster Wheeler, as well as advancement of long-lead and critical path elements of the project engineering. The FEED will include value engineering aimed at further optimising the Ilovica Project in parallel with the appointment of an Engineering Procurement and Construction ("EPC") contractor during the period up to construction. Work is continuing on the updated Environmental and Social Impact Study ("ESIA"); the national Environmental Impact Study, which has already been approved, is being expanded to include EBRD Performance Requirements and Equator Principle compliance. In parallel, the Group is working on the Main Mining Project, which is the final submission required under the Minerals Law in Macedonia to obtain an Exploitation Permit.

Euromax has begun the process of hiring the key personnel required to oversee construction of the Ilovica Project together with Alan Baker, who has recently been appointed as Vice President, Project & Construction Manager.

**FS Key Details**

**Geology & Resources** – The Ilovica porphyry system is located in southeast Macedonia, within the tertiary belt associated with the Carpathian arc. The intrusive is about 1.5 km in diameter and comprises a dacite-granodiorite plug, emplaced along the northeastern border of the Strumica graben. Mineralisation is typical porphyry style veining, most intense within the potassic zone. The mineralisation shows good continuity and homogeneity that lends itself well to bulk-mining methods as outlined in the PFS and confirmed in the FS.

A total of 42,032 metres have been drilled from 130 holes in 10 drilling campaigns between 2004 and July 2015. Out of these 130 holes, 20 were drilled for geotechnical investigation, 15 were drilled for hydrogeological investigation, and 95 were drilled for mineral resource determination.

## PROJECTS - CONTINUED

### Ilovica Project – Macedonia - continued

The current Mineral Resources for the property, can be summarised as follows:

**Mineral Resource (Effective 5 January 2016)**

| Classification | Tonnage (Kt) | Grade | | Contained Metal | |
|---|---|---|---|---|---|
| | | Au (g/t) | Cu (%) | Au (Koz) | Cu (Klb) |
| **Sulphide (based upon a dollar equivalent cut-off of US$16/t.)** | | | | | |
| Measured | 147,100 | 0.31 | 0.23 | 1,500 | 729,500 |
| Indicated | 109,700 | 0.33 | 0.20 | 1,100 | 479,000 |
| **Total M+I** | **256,800** | **0.32** | **0.21** | **2,600** | **1,208,500** |
| | | | | | |
| **Oxide (based upon a dollar equivalent cut-off of US$8/t.)** | | | | | |
| Measured | 12,500 | 0.41 | - | 160 | - |
| Indicated | 9,600 | 0.37 | - | 110 | - |
| **Total M+I** | **22,100** | **0.39** | - | **280** | - |

Notes:

1. Dollar equivalent cut-off based upon the following calculation US Dollar Eq. = (Au * recovery * price) + (Cu * recovery * price), using the following inputs:
   - Au process recovery in oxide 74%
   - Cu process recovery in oxide 0%
   - Cu process recovery in fresh 84%
   - Au process recovery in fresh 88%
   - Spot metal prices (Au = US$1,250/oz, Cu = US$3.00/ lb)
2. Resource cut-off of US$16 used for sulphide material
3. Resource cut-off of US$8 used for oxide material
4. Numbers may not add exactly due to rounding
5. Recoveries are based on those quoted by Euromax in the PFS.
6. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. The mineral resources in this news release were estimated using current Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards, definitions and guidelines.

**Mining & Reserves** – The mining method will use conventional drilling and blasting together with shovel and trucks supported by a fleet of ancillary equipment. The main mining fleet will comprise two hydraulic 16.5 $m^3$ shovels with a fleet of 90 tonnes nominal payload rigid dump trucks, 9 trucks during pre-strip at the start of operations and 19 trucks at its peak. Maximum material movement is some 22.5 million tonnes per annum. The mine schedule will provide 10.0 million tonnes of Sulphide ore per year to the plant. A primary gyratory in pit crusher will feed a conveyor running from the pit to the processing plant.

With the completion of the FS, the Company is pleased to announce new Mineral Reserves for the project, which are summarised in the table below:

**Mineral Reserve (Effective January 2016)**

| Description | Units | Proven | Probable | Total |
|---|---|---|---|---|
| Sulphide Ore | Mt | 112.6 | 85.5 | 198.1 |
| Waste | Mt | - | - | 199.9 |
| Total | Mt | - | - | 398.0 |
| Strip Ratio | t : t | - | - | 1.01 |
| Gold Grade | g/t | 0.32 | 0.30 | 0.32 |
| Gold Content | Moz | 1.17 | 0.84 | 2.01 |
| Copper Grade | % | 0.22 | 0.19 | 0.21 |
| Copper Content | Mlb | 543.9 | 355.0 | 898.9 |

Notes:

The sulphide ore reserves are based on a 0.22 g/t Au and 0.17% Cu cut-off, 96% mining recovery, 4.4% dilution on tonnage, 1.9% dilution of Au grade and 0.9% dilution of Cu grade. Oxide ore is not included and is considered waste for the purposes of pit optimisation. The mineral reserves in this news release were estimated using current CIM standards, definitions and guidelines.

## PROJECTS - CONTINUED

## Ilovica Project – Macedonia - continued

**Processing** – Ore will be milled by Semi Autogenous Grinding mill ("SAG") and ball mills and then processed by a concentrator using conventional flotation to produce a copper-gold concentrate with the cleaner-scavenger tailings being re-treated via a CIL to recover further gold doré on site. The modified flow sheet, as compared to the PFS, has led to a modest reduction in recoveries but this is more than offset by reductions in capital and operating costs. The remainder of tailings are sent straight to the Tailings Management Facility ("TMF"). Test work conducted by SGS Mineral Services in the UK has confirmed an overall process recovery of 83.3% for gold and 81.3% for copper and the terms used in the FS is based on the terms agreed in the signed Offtake Term Sheet with Aurubis.

**Tailings** – Waste rock from the open pit will be used to construct the tailings embankment. The dam will then be raised over the mine life using the down-stream construction approach to safeguard the long-term integrity of the facility. The plant site is situated above the tailings facility and thickeners will be utilised to produce a thickened tailings to be pumped to the facility below. A minimum operational freeboard of 2.0 metres has been adopted to comply with International Commission on Large Dams (ICOLD). Starter wall embankment and future wall raises will be constructed from rockfill from the open pit waste rock. Tailings will be deposited into the TMF from various discharge points – a western pipe line will discharge from the dam crest and an eastern line will deposit tailings from the side hill on the east side of the facility.

**Infrastructure** – A site plan has been developed covering haul roads, workshops, access roads from the National Highway, water management systems and power infrastructure from existing substations have been developed for the Ilovica Project using rates based on quotations supplied by Macedonian and other European contractors, following enquiries using bills of quantities from designs by Amec Foster Wheeler.

**Capital Costs** – The capital cost estimate is +/-10% and includes engineering, procurement, construction, start-up and cold commissioning. Provision is also made for owner's costs. The base date for pricing is September 2015. The estimate covers the direct field costs of executing the Ilovica Project, the indirect costs associated with the design, construction and commissioning plus support costs for items such as management teams, operational staff, environmental, permitting, insurance and utilities such as water supply, bulk power and construction power:

**Capital Cost Summary**

| Description | Total Project Cost (US$ million) | Growth and Project Risk (US$ million) | Contingency (US$ million) | Total (US$ million) |
|---|---|---|---|---|
| Process Plant and Infrastructure | 315.70 | 9.21 | 18.63 | 343.54 |
| TMF | 42.94 | 1.25 | 2.53 | 46.72 |
| Mining | 75.27 | 2.89 | 5.85 | 84.01 |
| **Total** | **433.91** | **13.35** | **27.01** | **474.27** |

**Operating Costs** – Operating costs were derived from quotations for fuel, power, consumables and reagents from suppliers in Macedonia and internationally. Labour costs were developed based on local and expatriate salaries currently being employed as well as in consultation with recruitment specialists Stratum International. The Operating Costs estimate is included in the table below.

## PROJECTS - CONTINUED

## Ilovica Project – Macedonia - continued

**Operating Cost Summary**

| Cost Centre | Total Sulphide Ore | | Fixed Cost | Variable Cost | |
|---|---|---|---|---|---|
| | US$ million/Year | US$/t | US$/Year | US$/Year | US$/t |
| Mining (average - including labour) | 35.36 | 3.53 | 8.38 | 26.99 | 2.7 |
| Labour | 8.80 | 0.88 | 8.80 | - | - |
| Reagents | 17.59 | 1.76 | 0.35 | 17.24 | 1.73 |
| Operating Consumables | 10.82 | 1.08 | 0.89 | 9.93 | 0.99 |
| Power | 22.93 | 2.29 | 0.16 | 22.77 | 2.28 |
| Maintenance Materials | 6.51 | 0.65 | 5.86 | 0.65 | 0.07 |
| Mobile Equipment | 0.14 | 0.01 | 0.14 | - | - |
| Laboratory | 0.47 | 0.04 | 0.47 | - | - |
| **Sub Total** | **102.62** | **10.26** | **25.04** | **77.58** | **7.76** |
| | | | | | |
| General & Administration | 3.76 | 0.37 | 3.76 | - | - |
| **Sub Total** | **3.76** | **0.37** | **3.76** | **-** | **-** |
| | | | | | |
| **Total Sulphide Ore** | **106.37** | **10.64** | **28.79** | **77.58** | **7.76** |

Notes:

Numbers may not add exactly due to rounding

**Financial Analysis** – The FS demonstrates a robust NPV at a 5% discount of US$513.0 million with an IRR of 19.8% before tax and an after tax NPV at a 5% discount of US$440.1 million and after tax IRR 17.8%. The following table illustrates the sensitivity to changes to the calculated IRR and NPV at 0%, 5% and 10% discount rates at various gold and copper prices. No assurance or guarantee is provided that the calculated IRR or NPV values will be achieved.

**NPV and IRR sensitivity to metal prices**

| Gold (US$/oz) | Copper (US$/lb) | NPV @ 0% discount (US$ million) | | NPV @ 5% discount (US$ million) | | NPV @ 10% discount (US$ million) | | IRR (%) | |
|---|---|---|---|---|---|---|---|---|---|
| | | *Pre-tax* | *Post-tax* | *Pre-tax* | *Post-tax* | *Pre-tax* | *Post-tax* | *Pre-tax* | *Post-tax* |
| 1,100 | 2.5 | 473.9 | 411.8 | 221.3 | 174.4 | 61.3 | 24.6 | 12.7% | 11.1% |
| **1,220** | **2.9** | 939.1 | 838.7 | **513.0** | **440.1** | 260.5 | 205.2 | **19.8%** | **17.8%** |
| 1,400 | 3.5 | 1,636.8 | 1,468.7 | 950.5 | 834.5 | 559.3 | 474.3 | 28.6% | 25.9% |

Note: Silver price fixed at US$ 18/oz

## KMC Gold-Copper Project – Serbia

Upon securing the funding for a minimum work programme required for a further two year extension of the KMC exploration permit, additional drilling activities on KMC were performed during Q4-2015. During this three month period, the Optionee satisfied the minimum required work programme on KMC, whereby 1,887 metres were drilled from 6 holes, compared to the minimum required 1,200 metres for securing of the KMC exploration permit.

On March 16, 2016, the KMC exploration permit was successfully renewed for further two years.

## SELECTED ANNUAL FINANCIAL INFORMATION

(Expressed in thousands of Canadian dollars except per share amounts)

| Years Ended December 31, | 2015 | 2014 | 2013 |
|---|---|---|---|
| | $000s | $000s | $000s |
| Total revenue | 4,729 | 2,695 | - |
| Loss after tax attributible to the Owners of the Company | (10,289) | (10,847) | (8,075) |
| Basic and diluted loss per share | (0.09) | (0.13) | (0.10) |

| As at December 31, | 2015 | 2014 | 2013 |
|---|---|---|---|
| | $000s | $000s | $000s |
| Net working capital/(deficiency) | (16,168) | (2,720) | 5,082 |
| Unproven mineral right interests | 28,574 | 15,987 | 17,609 |
| Total non-current financial liabilities | - | - | - |
| Total assets | 34,567 | 19,821 | 24,304 |

All figures presented above are prepared in accordance with IFRS, and the accounting policies were applied on a consistent basis for all presented periods.

The net working capital deficiencies at December 31, 2015 and 2014 are due to the classification of GPSA with Royal Gold (2015: $15.596 million; 2014: $nil; 2013: $nil) and share-based payment liabilities (2015: $3.067 million; 2014: $1.586 million; 2013: $0.280 million) as current liabilities.

## SUMMARY OF QUARTERLY RESULTS (Unaudited)

(Expressed in thousands of Canadian dollars except per share amounts)

| Quarter ended | December 31, 2015 | September 30, 2015 | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| Total revenue | 1,066 | 2,360 | 1,285 | 18 | 94 | 1,335 | 1,266 | - |
| Net loss after tax attributable to the Owners of the Company | (1,894) | (2,191) | (2,678) | (3,526) | (4,682) | (2,279) | (2,677) | (1,209) |
| Loss per share | (0.02) | (0.02) | (0.02) | (0.03) | (0.05) | (0.03) | (0.03) | (0.01) |

All figures presented above are prepared in accordance with IFRS, and the accounting policies were applied on a consistent basis for all presented periods.

All revenue is generated in the Exploration Services operating segment from the provision of exploration services performed by EES which commenced operations on April 1, 2014. EES's revenue is seasonally weighted to the second and third quarters of each calendar year which span the months most suitable to carrying out exploration work programmes in south-eastern Europe. Additionally, during Q4-2015, EES performed exploration services on behalf of the Optionee of SDM, for the purpose of fulfilling the minimum work of requirements to apply for extension of the KMC exploration permit.

The Group's primary focus is the exploration and development of mineral right interests and its principal project is the Ilovica Project. The Ilovica Project is not in production and therefore the Group has incurred losses and will continue to incur losses until the Ilovica Project is brought into commercial production. Additionally, the losses incurred during the quarters ended December 31, 2014 ("*Q4-2014*") and September 30, 2015 ("*Q3-2015*") are increased by impairment losses incurred on disposing the Group's Bulgarian mineral right interests and the KMC project in Serbia, respectively.

## RESULTS OF OPERATIONS

***KEY POINTS***

- *FY15 operating loss of $7.936 million (FY14: $6.513 million)*
- *FY15 operating cash costs[2] (operating loss excluding depreciation, amortisation, share-based payments and unrealised foreign exchange gain/(loss)) increased to $5.247 million (FY14: $3.347 million)*
- *Non-cash impairment charge of $1.979 million on KMC project in Serbia in FY15 (FY14: $3.237 million)*
- *FY15 loss after tax attributable to the Owners of the Company reduced to $10.289 million (FY14: $10.847 million)*
- *Loss after tax attributable to the Owners of the Company for Q4-2015 reduced to $1.894 million (Q4-2014: $4.682 million)*

[2] Non-GAAP Measure. Please refer to page 13 for further details.

## RESULTS OF OPERATIONS - CONTINUED

| | Quarter ended December 31 | | Year ended December 31 | |
|---|---|---|---|---|
| *in thousands* | 2015 (Unaudited) | 2014 (Unaudited) | 2015 | 2014 |
| Revenue | **1,066** | 94 | **4,729** | 2,695 |
| Direct costs | **(987)** | (142) | **(4,005)** | (2,251) |
| **Gross (loss)/profit** | **79** | (48) | **724** | 444 |
| **Expenses** | | | | |
| Accounting, legal and professional | **(456)** | (236) | **(1,512)** | (575) |
| Depreciation | **(47)** | (42) | **(168)** | (126) |
| Amortisation | **(5)** | (5) | **(19)** | (21) |
| Office and general | **(149)** | (76) | **(521)** | (345) |
| Regulatory, filing and transfer agent | **(2)** | (2) | **(42)** | (41) |
| Rent | **(91)** | (63) | **(341)** | (312) |
| Salaries, director and consultant fees | **(583)** | (581) | **(2,112)** | (1,899) |
| Share-based payments | **(116)** | (146) | **(2,141)** | (3,038) |
| Investor and public relations | **(71)** | (104) | **(271)** | (415) |
| Travel | **(142)** | (70) | **(592)** | (202) |
| Exploration and evaluation costs | **(11)** | (6) | **(56)** | (19) |
| Gain/(loss) on foreign exchange | **(252)** | 37 | **(885)** | 36 |
| **Operating loss** | **(1,846)** | (1,342) | **(7,936)** | (6,513) |
| Finance income | **-** | - | **1** | - |
| Finance expense | **(42)** | (112) | **(435)** | (127) |
| **Net finance expense** | **(42)** | (112) | **(434)** | (127) |
| Loss on disposal of Euromax Services EOOD | **-** | - | **-** | (949) |
| Impairment of unproven mineral right interests | **-** | (3,237) | **(1,979)** | (3,237) |
| Other income | **12** | 1 | **24** | 4 |
| **Loss before tax** | **(1,876)** | (4,690) | **(10,325)** | (10,822) |
| Income tax credit/(expense) | **(20)** | 8 | **(47)** | (25) |
| **Loss after tax** | **(1,896)** | (4,682) | **(10,372)** | (10,847) |
| **Loss attributable to:** | | | | |
| Owners of the Company | **(1,894)** | (4,682) | **(10,289)** | (10,847) |
| Non-controlling interest | **(2)** | - | **(83)** | - |

***DETAILED ANALYSIS OF THE YEAR ENDED DECEMBER 31, 2015 COMPARED TO YEAR ENDED DECEMBER 31, 2014***

Net loss after tax attributable to the Owners of the Company of $10.289 million or $0.09 per share in FY15 slightly reduced for the Group from $10.847 million or $0.13 per share in FY14 due to the following:

- A further impairment charge for KMC project was $1.258 million lower than the charge incurred in FY14.
- The loss on sale of Euromax Services EOOD of $0.949 million recognised during 2014 was not repeated in FY15.
- A decrease in share-based payment expense of $0.897 million was primarily due to share purchase warrants issued in FY14 to Investec Bank amounting to $1.545 million. This decrease is partially offset by expenses recognised in FY15 resulting from share options granted in Q1-2015 and the ongoing vesting of DPUs.
- EES's gross profit increased by $0.280 million due to higher levels of services being performed by EES to its main client during 2015 combined with the contracting with a new client in Q4-2015.
- Investor and public relations cost decreased by $0.144 million due to the Group bringing in-house all of its investor and public relations matters.

## RESULTS OF OPERATIONS - CONTINUED

***DETAILED ANALYSIS OF THE YEAR ENDED DECEMBER 31, 2015 COMPARED TO YEAR ENDED DECEMBER 31, 2014 - CONTINUED***

Partially offset by:

- Accounting, legal and professional fees increased by $0.937 million driven by increased legal services relating to the execution of the mandate letters and term sheets for the Project Facility and Equipment Facility and for fees payable to the Project Facility lenders for their ongoing due diligence work. Also increasing these costs were one-off costs incurred on a transaction which the Group aborted and legal fees associated with preparing the Company for a potential TSX main board upgrade.
- The Group's loss on foreign exchange increased by $0.921 million partly due to the liquidation of a Group subsidiary and the related foreign currency translation reserve of $0.222 million was recycled to the income statement. Additionally, foreign exchange losses have also resulted from the weakening of the Euro and Canadian Dollar against both the US Dollar and British Pound during 2015.
- Travel costs increased by $0.390 million owing to an increased number of employees and external consultants involved in completing the FS for the Ilovica Project; whereas in FY14, cash preservation measures were in place whilst the Group secured additional funding ahead of commencing the FS on the Ilovica Project.
- Finance expenses increased by $0.308 million which due to the amortising of transaction costs relating to the closing of the GPSA with Royal Gold.
- Salaries, director and consultant fees increased by $0.213 million as the Group transferred a number of corporate functions from London to Skopje in order to increase Euromax's profile in Macedonia, additionally this resulted in a one-off redundancy cost being incurred during 2015.
- Office and general costs increased by $0.176 million mainly due to the expanded scale of regular operations in Macedonia compared to FY14 together with enhancing the Group's insurance arrangements.

***DETAILED ANALYSIS OF THE QUARTER ENDED DECEMBER 31, 2015 COMPARED TO QUARTER ENDED DECEMBER 31, 2014***

The Group recorded a net loss after tax attributable to the Owners of the Company of $1.894 million or $0.02 per share in the quarter ended December 31, 2015, compared to $4.682 million or $0.05 per share in the quarter ended December 31, 2014.

The decreased quarter on quarter loss was mainly due to the following:

- An impairment charge of $3.237 million for KMC project recognised during Q4-2014, which was not repeated in Q4-2015.
- EES's gross profit increased by $0.127 million due to the contracting of a new client during the quarter.

Offset by:

- An increase in the Group's loss on foreign exchange of $0.289 million was mainly due to the continued weakening of the Euro and Canadian Dollar against both the US Dollar and British Pound during the quarter.
- An increase in accounting, legal and professional fees of $0.220 million driven by increased legal services relating to the Project Facility and Equipment Facility, work fees in respect of the Project Facility lenders for their ongoing due diligence and other broker fees.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015 the Group had cash and cash equivalents of $3.405 million, trade and other receivables of $1.056 million and trade and other payables totalling $2.376 million. In addition to this the Group had gold purchase advance payments totalling $15.596 million and share-based payment liabilities amounting to $3.067 million for which significant cash payments are not anticipated to occur in the foreseeable future. Refer to the "Related Party Transaction" section for further details relating to the share-based payment liabilities.

## LIQUIDITY AND CAPITAL RESOURCES - CONTINUED

During FY15 the Group closed the Private Placement on January 12, 2015 and issued 31,495,397 common shares at an issue price of $0.25 per share, raising gross proceeds of $7.874 million. The proceeds from the Private Placement, together with the advance payments received under the GPSA, have been used to fund the completion of the FS on the Ilovica Project, as well as commence the ESIA and FEED work (see investing activities section below for further details). This use of proceeds is consistent with the use of proceeds disclosed in the Company's news release dated December 9, 2014.

The Group is in the exploration and evaluation stage of the mining life cycle and has limited recurring sources of operating cash flow. The Group's ability to continue operations is contingent on its ability to obtain additional financing and progress the Ilovica Project into commercial production. Refer to Note 3(a) of the Group's audited consolidated financial statements for FY15, for further details.

*Operating Activities*

Cash used in operations in FY15 was $5.858 million compared to $2.520 million in FY14. This $3.338 million increase in cash used in operations is due to the substantially higher level of operations associated with the FS on the Ilovica Project compared to FY14 (increase of $2.116 million), as well as increased trade and other receivables and trade and other payables relating to operating activities for FY15 compared to FY14 (increase of $1.222 million).

At December 31, 2015, trade and other receivables, including prepayments and deposits had increased by $0.831 million (FY14: decreased by $0.457). The $1.288 million movement year-on-year was due to trade and other receivables increasing at $1.056 million at December 31, 2015 (FY14: $0.199 million) mainly due to outstanding EES invoices of $0.587 million (FY14: $nil) and increased outstanding VAT receivables primarily in Macedonia by $0.183 million (FY14: decreased by $0.338).

*Financing Activities*

In FY15 the Group closed the Private Placement issuing 31,495,397 common shares at an issue price of $0.25 per share raising gross proceeds of $7.874 million of which $1.700 million had been received in FY14. Additionally, $15.495 million of gold purchase advance payments were received from the initial and the first anniversary tranches of funding from the GPSA with Royal Gold.

Offsetting these financing proceeds was the repayment of the working capital loan facility of $0.742 million, GPSA transaction costs of $0.391 million, share issue costs of $0.303 million and interest paid of $0.145 million.

In FY14 cash provided by financing activities was $2.399 million, including $1.700 million of subscription proceeds received in advance relating to the Private Placement, and proceeds received from the working capital loan facility of $0.717 million. Offsetting this amount was interest paid of $0.018 million.

*Investing Activities*

Cash used in investing activities in FY15 amounted to $12.250 million which includes $12.443 million of capital expenditures on unproven mineral right interests, predominately on the Ilovica Project and purchases of property, plant and equipment and intangible assets of $0.513 million. This was offset by $0.605 million for the received consideration for the sale of Euromax Services EOOD and $0.100 million proceeds received from the sale of a 4% interest in KMC.

The Group provided cash of $0.901 million from investing activities in FY14 which includes $3.023 million of proceeds received from the sale of Euromax Services EOOD, and offset by $2.009 million paid for further exploration of the Group's exploration projects with the majority focussed on the Ilovica Project and $0.113 million paid for acquired property, plant and equipment.

## LIQUIDITY AND CAPITAL RESOURCES - CONTINUED

*Investing Activities - continued*

The table below summarises the expenditures incurred on the Group's key projects during FY15 and FY14.

| | Macedonia *Ilovica* | Serbia *KMC* | Total |
|---|---|---|---|
| | $000s | $000s | $000s |
| **Balance, January 1, 2014** | 11,552 | 6,057 | 17,609 |
| **Exploration expenditures:** | | | |
| Assays and analysis | 100 | 29 | 129 |
| Feasibility costs | 1,777 | - | 1,777 |
| Social & environmental costs | 419 | - | 419 |
| Other | 354 | 7 | 361 |
| | 14,202 | 6,093 | 20,295 |
| **Other items:** | | | |
| Impairment of unproven mineral right interests | - | (3,237) | (3,237) |
| Exchange differences | (547) | (524) | (1,071) |
| **Balance, December 31, 2014** | 13,655 | 2,332 | 15,987 |
| **Balance, January 1, 2015** | **13,655** | **2,332** | **15,987** |
| **Exploration expenditures:** | | | |
| Assays and analysis | **506** | **28** | **534** |
| Drilling | **3,012** | **89** | **3,101** |
| Feasibility costs | **5,348** | **-** | **5,348** |
| Social & environmental studies | **2,818** | **-** | **2,818** |
| Other | **845** | **14** | **859** |
| | **26,184** | **2,463** | **28,647** |
| **Other items:** | | | |
| Impairment of mineral properties | **-** | **(1,979)** | **(1,979)** |
| Exchange differences | **1,717** | **189** | **1,906** |
| **Balance, December 31, 2015** | **27,901** | **673** | **28,574** |

## NON-GAAP MEASURES

The Company has included a non-GAAP performance measure, namely operating cash costs in this document. Mineral exploration companies are reliant on continuously sourcing funding until commercial production is reached and hence minimising cash outflows from administrative costs is a key objective. In addition to conventional measures prepared in accordance with GAAP, the Company and certain investors use this information to evaluate the Company's ability to conserve cash resources. This non-GAAP measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

The following table provides a reconciliation of the operating cash costs for years ended December 31, 2015 and 2014.

| | Year ended December 31 | |
|---|---|---|
| ***in thousands*** | **2015** | **2014** |
| **Operating loss - per financial statements** | **(7,936)** | **(6,513)** |
| *Add/(Less):* | | |
| Share-based payments | 2,141 | 3,038 |
| Depreciation | 168 | 126 |
| Amortisation | 19 | 21 |
| Unrealised foreign exchange (gain)/loss | 361 | (19) |
| **Total Operating cash costs** | **(5,247)** | **(3,347)** |

## RELATED PARTY TRANSACTIONS

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

### *(a) Key management personnel transactions*

The Group's related party is Trentside Projects Limited ("Trentside"), a private company owned by one of the Group's current key management personnel. Since July 2015, Trentside has been providing project management services to the Ilovica Project.

The Group incurred the following fees and expenses in the normal course of operations in connection with Trentside. Expenses have been measured at the amount which is agreed between the parties. As at December 31, 2015 the Group owed Trentside $0.029 million for services rendered.

| | Years ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| | **$000s** | $000s |
| Project management fees | **194** | - |
| | **194** | - |

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

The remuneration of directors and other members of key management personnel during the year ended December 31, 2015 and 2014 was as follows:

| | | Years ended December 31, | |
|---|---|---|---|
| | **Note** | **2015** | **2014** |
| | | **$000s** | $000s |
| Short-term employee benefits | | **1,366** | 2,322 |
| Post-employment benefits | (i) | **107** | 133 |
| Redundancy payments | (ii) | **93** | - |
| Share-based payments | (iii) | **2,114** | 1,473 |
| | | **3,680** | 3,928 |

(i) Executive directors and some key management personnel receive pension contributions equal to 10% of their salary to their individual pension plans;

(ii) An officer of the Company was made redundant on January 31, 2015;

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

### *(c) Working capital loan*

On October 31, 2014 the Company arranged and closed a working capital loan from its directors. The working capital loan was unsecured and repayable in full on or before April 30, 2015. Interest of 15% was payable on the working capital loan amount which was fully accrued and reported as a finance expense in the statements of loss and comprehensive loss for the year ended December 31, 2014.

During the first half of 2015, the working capital loan was repaid to the directors in full, through payment of $0.742 million of the loan and $0.111 million of interest. For more details please see the following table:

| **Director** | **Principal** | **Interest** | **Total repaid** |
|---|---|---|---|
| | **$000s** | **$000s** | **$000s** |
| Martyn Konig | 180 | 26 | 206 |
| Steve Sharpe | 57 | 9 | 66 |
| Varshan Gokool | 61 | 9 | 70 |
| Patrick Forward | 57 | 9 | 66 |
| Randal Matkaluk | 200 | 30 | 230 |
| Timothy Morgan-Wynne | 187 | 28 | 215 |
| **Total** | **742** | **111** | **853** |

## COMMITMENTS FOR CAPITAL EXPENDITURES

The Group had the following future contractual obligations as at December 31, 2015:

| | up to 1 year | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|
| | $000s | $000s | $000s | **$000s** |
| Operating lease obligations | 121 | - | - | **121** |
| Other contractual obligations | 10 | - | - | **10** |
| **Total contractual obligations** | **131** | **-** | **-** | **131** |

## CRITICAL ACCOUNTING ESTIMATES

The Group's significant accounting policies are summarised in Note 3 of its audited consolidated financial statements for FY15. The preparation of consolidated financial statements in accordance with IFRS as issued by the IASB which requires management to select accounting policies and make estimates and judgements that may have a significant impact on the consolidated financial statements.

The Group regularly reviews its estimates; however, actual amounts could differ from the estimates used and, accordingly, materially affect the results of operations.

Examples of significant estimates include:

- Carrying values of unproven mineral right interests, and property, plant & equipment;
- Valuation of share-based payment arrangements.

## OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES

The following risk factors, as well as risks not currently known to the Group, could materially adversely affect the Group's future business, operations and financial position and could cause them to differ materially from the estimates described in the forward-looking statements and information contained herein. The risks set out below include those that are widespread and associated with any form of business and those that are specific risks associated with the Group's business and its involvement in the exploration and mining industry generally, and in south-eastern Europe in particular. Shareholders and prospective investors should carefully consider, in light of their own financial circumstance, the factors set out herein.

**Dependence on Third Party Financing**

The Group currently has no source of operational cash flow. As a result, the Group will continue to depend on third party financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time for junior exploration and development companies to attract significant amounts of debt and/or equity. There can be no assurance that such financing will be available to the Group or, if it is, that it will be offered on acceptable terms. Failure to obtain sufficient financing, as and when required, may result in a delay or indefinite postponement of exploration or development on any or all of the Group's properties.

**Fluctuation of Commodity Prices**

The Group's exploration and other mining activities have previously been, and may in the future be, significantly adversely affected by declines in commodity prices, particularly gold and copper. Commodity prices are volatile and are affected by numerous factors beyond the Group's control such as the sale or purchase of metals by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major mining countries throughout the world.

Any future serious drop in commodity prices or sustained low commodity prices could adversely impact the Group's future revenues, profits and cash flows. In particular, sustained low, or further reductions in, commodity prices could:

- reduce or eliminate the Group's ability to finance the exploration of existing and future mineral projects;
- force the Group to lose its interest in, or to sell, all or some of its properties;
- halt or delay the development of existing or new projects; and
- reduce the value of the Group's securities.

## OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES - CONTINUED

**Fluctuation of Commodity Prices - Continued**

Furthermore, declining or sustained low commodity prices could impact the Group's operations by requiring a reassessment of the feasibility of any existing or new projects. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

**Mineral Exploration**

Mineral resource exploration is highly speculative, involves substantial expenditures, and is frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. To the extent that the Group continues to be involved in exploration, the long-term success of its operations will be related to the cost and success of its exploration programmes. There can be no assurance that the Group's exploration efforts will be successful. The success of exploration is determined in part on the following factors:

- the identification of potential mineralization based on superficial analysis;
- availability of prospective land;
- availability of government-granted exploration and exploitation permits;
- the quality of management and geological and technical expertise; and
- the capital available for exploration and development.

Substantial expenditures are required to determine if a project is economically feasible. It could take several years to establish proven and probable mineral reserves and to develop and construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that current and future exploration programmes will result in the discovery of mineral reserves and the development of mines.

**Carrying Value of Unproven Mineral Right Interests**

Based on annual impairment reviews made by management, in the event that the long-term expectation is that the net carrying amount of certain capitalised development and exploration costs will not be recovered, then the carrying amount is written down to the appropriate fair value, with the write-down amount charged to the income statement. These write-downs could occur if: the carrying amounts of the capitalised costs exceed the related undiscounted net cash flows of reserves and/or its fair value less costs to sell; exploration activities have ceased; exploration results are not promising such that exploration will not be planned for the foreseeable future; or insufficient funding is available to complete the development and exploration programme.

Expected future cash flows are inherently uncertain, and could materially change over time. They are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold and copper prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures. If any of these uncertainties occur either alone or in combination, it could require management to recognise an impairment, which could adversely affect the Group's business, results of operations and financial position.

**Dilution**

The Group may require additional funds to fund development and exploration programmes and potential acquisitions. The Group cannot predict the size of future issuances of common shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that future issuances and sales of the Group's securities will have on the market price of the common shares. If it raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial amounts of common shares, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Group's securities.

**Share Price Volatility**

In recent years, the world securities markets, including that in Canada, have experienced a high level of price and volume volatility and the market price of securities of many companies, including the Company, have experienced wide fluctuations in price which have not necessarily been related to operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in share price will not occur.

## OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

**Resource Estimates**

The mineral resource estimates presented herein are made by Group personnel and independent geologists. These estimates depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance estimates will be accurate. The inclusion of mineral resource estimates should not be regarded as a representation that these amounts can be economically exploited and no assurances can be given that such resource estimates will be converted into reserves. Different experts may provide different interpretations of resource estimates.

**Dependence on Key Personnel**

The success of the Group and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Group may have a material adverse effect on the Group. The Group does not presently have "key person" life insurance for any of its officers.

**Capital and Operating Cost Risks**

The Group's forecasts and technical reports are based on a set of assumptions current as at the date of completion of these forecasts and studies. The realised operating and capital costs achieved by the Group may differ substantially owing to factors outside the control of the Group, including currency fluctuations, supply and demand factors for the equipment and supplies, global commodity prices, transport and logistics costs and competition for human resources. Though the Group incorporates a level of contingency in its assumptions, these may not be adequate depending on market conditions.

The mining business is capital intensive and the development, exploration and exploitation of mineral reserves and resources and the acquisition of machinery and equipment require substantial capital expenditure. The Group has a number of exploration and development projects which will involve significant capital expenditure to progress.

Further, the Group relies on certain key third-party suppliers and contractors for equipment, raw materials and services used in, and the provision of services necessary for the continuing exploration and development of its projects. As a result, the Group's operations at its sites are subject to a number of risks, some of which are outside of the Group's control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen events and failure of a supplier or contractor to perform under its agreement with the Group. The occurrence of one or more of these risks could have a material adverse effect on the Group's business, results of operations and financial position.

**Currency Risk**

The Group maintains most of its working capital in US dollars. The Group currently operates in Bulgaria, Macedonia and Serbia and its operating costs are incurred in a combination of Bulgarian Levs, Macedonian Denars, Serbian Dinars, Canadian Dollars British Pounds or Euros. Accordingly, the Group is subject to fluctuations in the rates of currency exchange between these currencies. The Group has not hedged its exposure to currency fluctuations.

**Global Economic Conditions**

Global financial conditions in recent years have been characterised by volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Group's ability to obtain financing in the future at all, or on reasonable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses.

**Economic and Political Instability in Foreign Jurisdictions**

The Group currently operates in Bulgaria, Macedonia and Serbia. There are risks to conducting business in foreign countries. These risks may include, among others, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war, civil disturbances, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations, delays in obtaining or the inability to obtain necessary governmental permits, authorizations and consents, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Group of its legal rights to exploit its properties may not be recognised by any foreign government or by the court system of a foreign country. These risks may limit or disrupt the Group's operations, restrict the movement of funds or result in the deprivation of mining related rights or the taking of property by nationalization or expropriation without fair compensation.

## OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

**Permitting Requirements**

Mining operations require mining and other permits from the government. These permits may not be issued on a timely basis or at all, and such permits, when issued, may be subject to requirements or conditions with which it is burdensome or expensive to comply. Furthermore, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of existing permits, additional permits for any possible future changes to operations, or additional permits associated with new legislation.

**Government Regulation**

Mineral businesses are subject to regulation and intervention by governments in such matters as the imposition of specific exploration, drilling and development obligations; environmental protection controls and control over the development and abandonment of resource (including restrictions on production). As well, governments may regulate or intervene with respect to prices, taxes, royalties and the exportation of commodities. Such regulation may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the minerals industries could reduce demand for commodities produced, increase the Group's operating costs and have a material adverse impact on the Group's results of operations and financial position.

**Title Matters**

The Group periodically confirms the validity of its title to, or contract rights with respect to, each mineral property in which it has a material interest. However, the Group cannot guarantee that title to its properties will not be challenged. The Group's mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, the Group might be unable to operate its properties as permitted or to enforce its rights with respect thereto.

**Operating Hazards and Other Uncertainties**

The Group's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including:

- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labour disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- unusual or unexpected geological or operating conditions;
- fire;
- changes in the regulatory environment; and
- natural phenomena such as inclement weather conditions, floods and earthquakes.

These or other occurrences could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Group could also incur liabilities as a result of pollution and other casualties all of which could be very costly and could have a material adverse effect on the Group's financial position and results of operations.

**Health, Safety and Community Relations**

The Group's operations are subject to various health and safety laws and regulations that impose various duties on the Group's operations relating to, among other things, worker safety and surrounding communities. These laws and regulations also grant the authorities broad powers to, among other things, close unsafe operations and order corrective action relating to health and safety matters. The costs associated with the compliance of such health and safety laws and regulations may be substantial and any amendments to such laws and regulations, or more stringent implementation thereof, could cause additional expenditure or impose restrictions on, or suspensions of, the Group's operations. The Group has made, and expects to make in the future, significant expenditure to comply with the extensive laws and regulations governing the protection of the environment, waste disposal, worker safety, mine development and protection of endangered and other special status species, and, to the extent reasonably practicable, create social and economic benefit in the surrounding communities.

## OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

**Health, Safety and Community Relations - Continued**

As a mining business, the Group may come under pressure in the jurisdictions in which it operates, or will operate in the future, to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which they operate) benefit and will continue to benefit from the Group's commercial activities, and/or that the Group operates in a manner that will minimise any potential damage or disruption to the interests of those stakeholders. The Group currently maintains good relations with local communities in the areas in which it operates and has a demonstrable track record of promoting community and social relations activities for the benefit of local communities. However, the Group may face opposition with respect to its current and future development and exploration projects which could materially adversely affect the Group's business, results of operations and financial position.

Further, certain non-governmental organisations ("NGOs"), some of which oppose globalisation and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances in processing activities. Adverse publicity generated by such NGOs or others related to extractive industries generally, or the Group's operations specifically, could have an adverse effect on the Group's reputation and financial position and may impact its relationship with the communities in which it operates. The Group seeks to mitigate this risk by its commitment to operate in a socially responsible manner. However, there can be no guarantee that the Group's efforts in this respect will mitigate this potential risk.

The Group may also be held responsible for the costs of addressing contamination at the site of current or former activities and could be held liable for exposure to hazardous substances. The costs associated with such responsibilities and liabilities may be significant.

**Environmental Risks**

All phases of the Group's operations are subject to environmental regulation in the various jurisdictions in which it operates. There is no assurance that the Group will have or be able to obtain all necessary environmental approvals, licenses, permits or consents or be in compliance therewith or that notwithstanding its precautions, breaches of environmental laws (whether inadvertent or not) will not occur. The lack of or inability to obtain any such approvals, licences, permits or consents or any breaches of environmental laws, may result in penalties including fines or other sanctions, breach of the conditions of a mining concession or other consent or permit with possible revocation of the concession, consent or permit. In this regard, environmental hazards may exist on the properties in which the Group has an interest which are unknown to the Group at present and which have been caused by previous or existing owners or operators of the properties.

Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Group's operations, or its ability to develop its properties economically.

**No Dividends**

The Group has never paid cash dividends. It currently intends to retain future earnings, if any, to fund the development and growth of its business, and may not pay any cash dividends for the foreseeable future. Furthermore, the Group may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in common shares in the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Group's board of directors and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and such other factors deemed by the board of directors to be relevant at the time.

**Tax Matters**

Euromax's tax residency is affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If ever Euromax was assessed to be not tax resident in Canada, it may be liable to pay additional Canadian taxes, including, but not limited to, capital gains tax based on the difference between the fair market value and tax cost of its assets at the relevant time. If such taxes were to become payable, this could have a material adverse effect on the Group's business, results of operations and financial condition. Further, the income tax consequences to holders of common shares would be different from those applicable if Euromax were tax resident in Canada.

## OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

**Insurance Coverage Could Be Insufficient**

While the Group maintains insurance to protect against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Group cannot insure or against which it may elect not to insure. Losses from these events may cause substantial delays and require significant capital outlays, adversely affecting future results of operations and financial position.

**Conflicts of Interest**

Certain of the directors and officers of the Group are directors or officers of other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Group may participate, the directors of the Group may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors of the Group, a director who has such a conflict will abstain from voting for or against the approval of such matter. Furthermore, in appropriate cases the Group will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

**Litigation Risks**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Group's financial position and results of operations.

**Competition**

The Group faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious or base metals. The majority of these companies have greater financial resources, operational experience and technical capabilities. As a result, there can be no assurance that the Group will be able to compete successfully against other companies in acquiring new prospecting, development or mining rights.

## FORWARD-LOOKING STATEMENTS

This document contains statements that are forward-looking, such as those relating to the Company's strategic and financing plans; property search, exploration and development plans; potential expansion and upgrading of known mineralization or resources; estimated levels of mineral resources and expenditures; completion of preliminary economic assessments; prefeasibility and feasibility studies; the timing and receipt of permits and other third-party approvals; and potential production on the Company's properties. Forward-looking statements are frequently characterised by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may", "could", "would", "might" or "will" occur.

Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, including that the key assumptions and parameters on which resource estimates and drilling and geological interpretations are based are reasonable and that the Company will be able to obtain the necessary financing, supplies, equipment, personnel and permits to carry out its planned activities.

Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks include but are not limited to: risks related to international operations, including economic and political instability in foreign jurisdictions in which the Company operates; risks related to current global financial conditions; risks related to joint venture operations; actual results of current exploration activities; environmental risks; future prices of gold; possible variations or uncertainties relating to the accuracy of mineral reserves, mineral resources, grade or recovery rates; uncertainties related to feasibility studies that provide estimates of expected or anticipated costs, expenditures and economic returns from a mining project; mine development and operating risks; uncertainties related to unexpected judicial or regulatory proceedings; changes in, and the effects of, the laws, regulations and government policies affecting our exploration and development activities and mining operations, particularly laws, regulations and policies; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; exchange rates, particularly with respect to the value of the U.S. dollars and Canadian dollars, and the continued availability of capital and financing.

The forward-looking statements contained in this document are subject to change after this date. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Euromax disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

## SUBSEQUENT EVENTS

Subsequent to December 31, 2015 the following reportable events have occurred:

On January 6, 2016 the Group announced the FS for the Ilovica Project, prepared in compliance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). A copy of this FS is available on SEDAR. Refer to the "Projects, Ilovica Project - Macedonia" section for further details.

On April 8, 2016 the Company announced it had entered into a term sheet for an investment of up to US$30.0 million and a strategic alliance with CC Mining S.A. ("CCM") which is related to Consolidated Contractors Company ("CCC") in respect of certain construction activities for the Ilovica Project in Macedonia. Under the term sheet signed, CCM may provide up to US$30.0 million in three tranches for the ongoing development of Ilovica:

- Primary Convertible Loan Tranche: On or before April 30, 2016, it is envisaged CCM will subscribe for a $5.2 million convertible loan note maturing on April 30, 2018 and convertible into common shares of Euromax at a price of C$0.40 per share. The convertible loan shall bear interest at a rate of 9% which will be capitalised into the convertible loan until maturity or conversion.
- Secondary Equity Tranche: On or prior to December 31, 2016, it is anticipated that CCM will at its discretion subscribe for a minimum of US$5.0 million in common shares of Euromax at a price equal to 90% of either (i) the then prevailing price, or (ii) the 20-day VWAP prior to the date of the announcement, whichever is the lower.
- Third Subordinated Loan Tranche: In addition, and in tandem with the Second Equity Tranche, CCM has provided an in-principle commitment to provide, at its discretion, a 10-year subordinated, secured loan facility of up to US$20.0 million that shall bear an interest rate of 6-Month LIBOR plus a margin of 8%.

On April 29, 2016 the Company announced that it has entered into a loan agreement (the "Loan Agreement") with the European Bank for Reconstruction and Development (the "EBRD") for an investment of US$5 million in respect of funding of the ongoing pre-development of the Ilovica Project in Macedonia. Euromax also announced that it has also entered into definitive transaction documentation for a convertible loan of C$5.2 million, as the first tranche of an investment of up to US$30 million and a strategic alliance with CCM which is related to CCC, as previously announced on April 8, 2016.

Under the Loan Agreement, the EBRD has agreed, subject to receipt of Shareholder Consent (as defined below) that it will lend US$5 million (the "Principal Amount") in a form of a convertible loan (the "EBRD Convertible Loan"). The EBRD Convertible Loan has a stated maturity of April 30, 2018 or, if earlier, an equity raise of an agreed amount. Upon maturity of the EBRD Convertible Loan, in addition to repayment of the Principal Amount, Euromax will be required to pay an amount of approximately US$1.4 million (the "Redemption Amount"). The EBRD Convertible Loan also contains provisions whereby, in the event that the Company has not secured sufficient financing commitments for the construction and development of the Ilovica Project by December 31, 2016, a fee of US$0.15 million (the "Fee") will become payable and interest will accrue on the loan from January 1, 2017 until maturity at an annual rate of 3 month LIBOR plus 7% per annum (the "Interest").

The EBRD Convertible Loan will be convertible in whole or in part at any time following disbursement, at the election of the EBRD; the Principal Amount will be convertible at C$0.40 per share whereas the Redemption Amount, as well as, if applicable, the Fee and Interest, will be convertible at the lower of (i) the market price of the common shares of the Company on the last day prior to the EBRD serving a conversion notice; and (ii) the 20-day volume weighted average price of the common shares preceding such date, in each case discounted as permitted by the TSXV. Conversion of any part of the Principal Amount, the Redemption Amount, the Interest and the Fee will always remain at the EBRD's full discretion subject to the above provisions.

Disbursement of the EBRD Convertible Loan is conditional on, amongst other things, receipt of written consent by no later than June 30, 2016 from the holders of at least 50% of the outstanding common shares of the Company, other than those common shares held by the EBRD, of the terms of the Loan Agreement, and for the EBRD to become a "control person" (as defined under the rules of the TSXV).

## OTHER MD&A REQUIREMENTS

As of April 29, 2016, the Group had outstanding 116,842,737 common shares, 20,141,835 share purchase warrants, 8,933,466 share options, with exercise prices ranging from $0.18 to $1.02 per share and 1,864,076 restricted share units. Additional information is available on SEDAR at www.sedar.com and at the Group's website www.euromaxresources.com.