EurOmaX
Resources Limited

# 2008

ANNUAL REPORT DECEMBER 2008

# Chairman's Statement 2008

In the 2007 annual report, we noted that financial, commodity and currency markets were more volatile than we have seen for many years and that we were expecting to see continued high demand for commodities driven by emerging economies during 2008 and 2009

Little could we have known how much more volatile all markets would become during 2008. With the global financial collapse and remarkable volatility for most metals, we have entered a difficult period for mining exploration companies. EurOmax requires capital to fund exploration and in this environment doing so is challenging. However, we have been able to enter into a letter of intent to merge with Silk Road Resources Ltd. a company with gold projects in China. This merger is the first step in our plan to ensure that EurOmax can advance its gold and base metal projects in South East Europe. Failure to complete this plan or secure other sources of finance may jeopardize the financial viability of the Company.

We recently announced the acquisition of Thrace Resources EOOD which owns the Breznik and Rakitovo gold and silver projects in Bulgaria. Breznik is at an advanced stage with more than 90 drill-holes.

We have confidence in our properties and people. We believe that it is during this period of global financial instability that we can best leverage our skills and knowledge to advance our properties, take advantage of strategic opportunities and increase shareholder value. It is an often neglected fact that some of today's largest companies were formed during recessions and even depressions; we take these as our role models.

**Project Overview**

During 2008 EurOmax was active on projects in South East Europe. At **Ceovishte** in Serbia we have mapped more than 5 kilometres of ancient gold, lead and silver workings which are largely untested. At the southern end of this trend a 2 square kilometre gold bearing silica breccia has been identified surrounding an altered diorite intrusion. Ancient open pits up to several hundred metres wide cover much of the silica breccia. At the northern end of this trend one drill hole encountered 12.4 metres at 1.5% copper, 1.4% lead, 0.8% zinc, 62 grams per tonne silver and 1.6 grams per tonne gold.

Thirty kilometres to the south of Ceovishte, the **Karavansalija** project covers a 60 square kilometre alteration zone and two gold and base metal mineralized centres. Drilling on the property has produced numerous significant intersections including 42 metres at 2.05 grams per tonne gold, 0.76% nickel and 0.06% cobalt; 120 metres grading 0.55 grams per tonne gold, 0.48% copper and 3.2 grams per tonne silver; 235 metres grading 1.08 grams per tonne gold and 166 metres grading 0.63 grams per tonne gold and 0.58% copper.

EurOmax received an independent Mineral Resource estimate on the **Ilovitza** copper-gold-molybdenum porphyry in Macedonia with an inferred resource of 303 million tonnes grading 0.23% copper, 0.31 grams per tonne gold and 0.005% molybdenum. In copper equivalent terms this equals 3.5 billion pounds of copper. Geophysics conducted late in the 2008 field season has identified a chargeable resistivity low which is interpreted to be the core of the metallogenic system. This feature lies just east of the inferred resource and has the potential to add significant tonnage at higher grades.

At the **Kazandol** oxide copper project in Macedonia, 2008 exploration identified a near surface shallow dipping copper oxide zone 25 to 100 metres thick. This zone, up to more than 200 metres wide, has now been mapped over five kilometres of strike. Surface trenching encountered 210 metres at 0.4% copper, 175 metres at 0.44% copper and 175 metres at 0.39% copper. Drilling during 2008 encountered 47 metres grading 0.59% copper from surface. This project we believe has the potential for early oxide copper production.

Exploration planned for 2009 includes, 1,400 metres of drilling at Ilovitza, geophysics and 2,000 metres of drilling at Ceovishte and 5,000 metres of drilling plus 4,000 metres of trenching at Kazandol. At Karavansalija mapping, trenching and geochemistry is planned to better define drill targets.

**Our Strategy**

Our objective is to build a successful mineral exploration and production company.

Our strategy to achieve this remains the same - building value for shareholders through exploration and acquisition in South East Europe. With success we will deliver major benefits to the countries and communities in which we operate and make major metal discoveries in the region.

**Outlook**

In 2009 we see continued market volatility but increasing strength in metal prices as inventories are drawn-down. Expansive state spending will drive demand for commodities that will once again be in short supply. We believe that the strategy which we are implementing will allow us to raise the funds necessary to advance our projects in South East Europe.

**Our Business & People Program**

If we are to be successful our business must be sustainable. We must achieve not only profitability as a corporation but we must also give back to the countries and communities in which we operate. We do this at the exploration stage by employing locally and using local services wherever possible. Where we find these services are lacking we assist local companies to develop the capacity to support our business activities. We proudly support educational and cultural activities in communities across the region.

**Our people**

I believe that once the steps which we have initiated are completed we will be strongly positioned for exciting results in the 2009. This could not occur without the strong support and dedication of our staff and our contractors. On behalf of the board I thank them for their efforts during the year.

**On Behalf of the Board**

John C. Menzies

**John C. Menzies**
Chairman & CEO
April 23, 2009

# Management Discussion & Analysis

*This discussion and analysis ("MD&A") is provided by management of EurOmax Resources Ltd. ("EurOmax" or the "Company") with respect to the 2008 financial results and should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2008 and 2007. This MD&A is dated April 27, 2009.*

*BASIS OF PRESENTATION: The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") in Canadian dollars.*

*FORWARD-LOOKING STATEMENTS: This document contains statements that are forward-looking, such as those relating to results of operations and financial condition, capital spending, financing sources, commodity prices, costs of production and the magnitude of petroleum and natural gas reserves. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the dates the statements are made, and 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. The forward-looking statements contained in this MD&A are as of April 27, 2009 and 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.*

*MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING Management of EurOmax is responsible for the preparation, integrity, and fair presentation of the accompanying consolidated financial statements and other information contained in this annual report. The consolidated financial statements and related notes were prepared in accordance with accounting principles generally accepted in Canada and reflect management's best judgments and estimates, based on currently available information. Management maintains a system of internal controls over financial reporting, which encompasses policies, procedures and controls to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, that transactions are executed and recorded in accordance with management's authorization, and that financial records are accurate and reliable. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board, which meets with the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval*.

*The consolidated financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements*.

**CORPORATE STRATEGY**
During 2003, the Company initiated a focus on identifying, acquiring and developing natural resource opportunities in South-Eastern Europe. EurOmax believes that this region has underdeveloped natural resource potential and minimal political risk. Many of the countries in this area have not been subjected to the systematic exploration that has been conducted in western countries. However, the countries in this region have more developed economic, legal and political climates than most of the undeveloped regions of the world. In fact, Bulgaria and Romania entered the European Union in January 2007. Over the next few years, other countries which are not yet already members of this growing economic block have or intend to apply for membership. EurOmax has found that the potential to acquire natural resource properties in this region is subject to significantly less competition than would be found in North America or other developed countries. Notwithstanding the Company's belief in the potential of South-Eastern Europe EurOmax has found that political and cultural issues can delay projects longer than is normal in North America.

Prior to the sale of its oil and gas operations on December 1, 2008, the Company was able to partially offset its costs through the profits from these activities.

**HIGHLIGHTS**

In 2007, EurOmax executed a geopolitical diversification to its operations in South-Eastern Europe. Prior to that time all of the Company's activities were focused on Bulgaria. On July 13, 2007 the Company purchased an options to acquire four exploration properties in Macedonia and five exploration properties in Serbia from Freeport McMoRan Inc. subsidiary Freeport McMoRan Exploration Company (formerly Phelps Dodge Exploration Corporation) (FMEC) and its Macedonian and Serbian subsidiaries. Under the terms of the agreements EurOmax has an option to acquire a 100% interest in the Macedonian properties and its Macedonian subsidiary PD Vardar dooel (PDV) by the payment of US$ 600,000 and the issuance of 100,000 EurOmax shares and an option to acquire 100% of the shares of Mining and Geology South Danube Metals Beograd South (SDM), a FMEC Serbian subsidiary, subject to exclusion of one of the SDM licenses, by the issuance of 2.4 million shares of EurOmax. In order to exercise the options EurOmax must fulfill all concession requirements, fulfill a certain minimum drilling commitment, and complete a US$1.5 million exploration program in each of Macedonia and Serbia over 3 years. FMEC retains a one time only back in-right on each concession, whereby FMEC may elect to earn a 70% interest, after EurOmax has completed 10,000 metres of drilling on any such property. In order to earn its interest FMEC must repay EurOmax twice its exploration expenditure on that property and fund the property though completion of a final feasibility study. As of December 31, 2008, the Company is still required to complete 842 metres of drilling in Macedonia and 1,250 metres of drilling in Serbia under the minimum drilling commitment in the July 13, 2007 agreements. As of December 31, 2008, EurOmax has completed the required exploration program for Serbia and is required to spend US$205,000 prior to July 13, 2010 for Macedonia. Once both of these conditions are met for either country EurOmax will exercise its option under the agreements. It is expected that EurOmax will complete the requirements to exercise both the Serbian and Macedonian options prior to the end of 2009. The back-in right for FMEC on each property will continue until the 10,000 metres of drilling have been completed.

On June 6, 2008, the Company entered an option agreement with Freeport-McMoRan Exploration Company (FMEC) to acquire a 100% interest in the Karavanslija property in Serbia by the payment to FMEC of US$50,000 and the issue of 2,500,000 common shares of the Company. In order to exercise the option the Company must complete an exploration program within 3 years from the date of execution of this agreement including 4,400 metres of drilling at the direction of FMEC. FMEC retains a one time only back in-right, wherein FMEC may elect to earn a 70% interest, after the Company has completed 20,000 metres of drilling on the Karavanslija property. In order to earn its interest FMEC must repay EurOmax 1.5 times its exploration expenditure, fund the property though completion of a final feasibility study and pay EurOmax a 1% Net Smelter Royalty ("NSR") on its 70% share. If FMEC does not exercise its back-in right EurOmax is required to pay FMEC a 1% NSR. As of the date hereof, the Company has completed the minimum drilling requirement at the direction of FMEC for the first year of the Karavansalija property agreement ending June 5, 2009.

On December 20, 2008, Teck Cominco Limited terminated its option to earn an interest in the Trun property. As a result, the Company wrote off its capitalized expenses to date of $858,462.

On March 16, 2009, EurOmax entered into an agreement to purchase all of the issued and outstanding shares of Thrace Resources EOOD (Thrace) a subsidiary of International Resource Holdings Limited (formerly Balkans Gold Limited) (IRH) subject to all necessary regulatory approvals. The purchase price for Thrace will be the cancellation of 50% of the convertible note issued by IRH to EurOmax for the outstanding debts of Thrace to the company or A$169,807. It is expected that this transaction will close during the second quarter of 2009. The main property of Thrace, Breznik, has identified in situ mineral resource estimate calculated by independent consultants & resource modeling specialists Ravensgate using accepted industry standard best practice estimation methods and adhering to the JORC Code guidelines (similar to 43-101 guidelines) in estimating and categorizing the resource. Using a cut-off grade of 0.5 g/t gold the Indicated Resource is 1.079 million tonnes at 2.01 g/t gold and 6.05 g/t silver and the Inferred Resource is 0.689 million tonnes at 1.79 g/t gold and 5.66 g/t silver.

On February 20, 2009, EurOmax entered into a Letter of Intent to merge with Silk Road Resources Ltd. (Silk Road). Under the terms of the proposed merger the Company will issue 2.251 common shares for each share of Silk Road. This transaction, which will be by way of a Plan of Arrangement, will be subject to all necessary regulatory approvals including approval of two thirds of the votes cast at a Silk Road shareholder meeting, approval of a majority of the votes cast at an EurOmax shareholder meeting and court approval. It is expected that this transaction, if approved by shareholders, will close during the second quarter.

EurOmax disposed of substantially all of its remaining oil and gas interests on December 31, 2008 for gross proceeds of $303,000, which resulted in a gain of $118,560. Oil and gas operations for 2007 and 2008 have been accounted for as discontinued operations.

**SELECTED FINANCIAL INFORMATION**

| | | Year Ended December 31 2008 | | Year Ended December 31 2007 (restated) | | Year Ended December 31 2006 (restated) |
|---|---|---|---|---|---|---|
| Revenue | **$** | **-** | $ | - | $ | - |
| Net loss - continuing operations | **$** | **( 4,385,491)** | $ | ( 1,536,194) | $ | ( 1,135,321) |
| Per share - basic and diluted | **$** | **( 0.09)** | $ | ( 0.03) | $ | ( 0.03) |
| Net income - discontinued operations | **$** | **231,431** | $ | 197,160 | $ | 336,541 |
| Per share - basic and diluted | **$** | **0.00** | $ | 0.00 | $ | 0.01 |
| Net loss | **$** | **( 4,154,060)** | $ | ( 1,339,034) | $ | ( 798,780) |
| Per share - basic and diluted | **$** | **( 0.09)** | $ | 0.00 | $ | ( 0.02) |
| Cash flows to continuing operations | **$** | **( 193,337)** | $ | ( 816,375) | $ | ( 644,652) |
| Total assets | **$** | **6,279,957** | $ | 7,748,617 | $ | 5,404,919 |
| Long term debt | **$** | **-** | $ | - | $ | - |
| Dividends | **$** | **-** | $ | - | $ | - |

**DISCONTINUED OPERATIONS – OIL AND GAS PROPERTIES**

EurOmax sold its oil and gas properties on December 1, 2008. The following table summarizes the results of the Company's oil and gas operations until the sale:

| | | Year ended December 31 2008 | | 2007 |
|---|---|---|---|---|
| Revenue | | | | |
| Petroleum and natural gas sales | **$** | **179,458** | $ | 349,140 |
| | | **179,458** | | 349,140 |
| Expenses | | | | |
| Production | | **41,841** | | 62,850 |
| Transportation | | **5,704** | | 15,471 |
| Depletion and accretion | | **19,042** | | 73,659 |
| | | **66,587** | | 151,980 |
| Net Income | | **112,871** | | 197,160 |
| Gain on Sale | | **118,560** | | - |
| Net income from discontinued operations | **$** | **231,431** | $ | 197,160 |

Oil and gas net revenues after royalties in 2008 were 51% of those in 2007. This decrease was mainly the result of three factors. First the period with revenues in 2008 was 92% of that in 2007 as the oil and gas properties were sold after 11 months; second the Sawn Lake well was shut-in for 42% of the year; and royalty oil production in 2008 was nil compared to $125,208 in 2007. On April 3, 2008, Daylight Energy Ltd. ("Daylight") filed a Statement of Claim in the Court of Queen's Bench of Alberta alleging that the Company had been overpaid $196,000 in royalties from one of its oil and gas wells. The Company denies this allegation. It has filed a Statement of Defense and Counterclaim alleging the breach of the original farm-out agreement contract by Daylight. Examinations for discovery are scheduled for the second quarter of 2009 but no trial date has been set. It is too early to predict the outcome of this proceeding.

Production and transportation costs were reduced in 2008 compared to 2007. Production costs were lower because of the shorter period where operations were conducted during 2008 as a result of the sale and the shut-in period for Sawn Lake. No production costs are attributable to royalty operations but transportation costs are attributable to royalty operations. Consequently transportation costs were much lower in 2008 than in 2007 on a percentage basis than production costs.

**CONTINUING OPERATIONS**

**GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses amounted to $819,554 in 2007 as compared to $696,947 in 2007. During 2008, general and administrative costs associated with the Company's mineral exploration activities in South-Eeast Europe were $303,615 compared to $200,402 in 2007. The main increase in these costs is because during 2007 the Company was mainly conducting operations for other companies who covered much of the general and administrative expenses. This reduced the effective general and administrative costs by the allowance paid by these other companies during 2007 to a much greater degree than in 2008. This cost recovery is not expected during future years as the Company does not expect to be providing these services in the future. Other corporate general and administrative costs in 2008 amounted to $515,939 compared to $496,545 in 2007. In 2008, there were extra charges of $68,000 associated with preparing 43-101 regulatory reports compared to $50,000 in 2007. In 2008 travel charges were $67,000 compared to $48,000 in 2007 because of more travel as the Company activities in Serbia and Macedonia were for a full year in 2008 compared to a half year in 2007. Legal expenses were $36,000 higher (2008 – 30,000; 2007 - $66,000) in 2007 mainly as a result of the lawsuit by Dundee Precious Metals Ltd over a mineral property in Bulgaria which was resolved early in 2008. In the lawsuit, Dundee alleged that EurOmax acquired the Peroto property in breach of fiduciary duties owed to Dundee in relation to a consulting arrangement between Dundee and third parties, including EurOmax's Chairman and Chief Executive Officer. Dundee requested substantial damages as a remedy for these alleged breaches of fiduciary duties. The parties have executed an agreement that the lawsuit is to be withdrawn by Dundee and this has been filed in the relevant court in Ontario. In 2009 legal fees will be higher than in 2008 as a result of the lawsuit with Daylight and the merger with Silk Road. During 2008, EurOmax engaged a contract consultant to assist in investor relations at the rate of $24,000 per year..

EurOmax does not capitalize any general and administrative expenses.

**FOREIGN EXCHANGE GAIN / LOSS**

As a result of the Company's international operations where expenses are sometimes denominated in United States dollars or Euros, EurOmax is subject to potential foreign exchange gains and losses. During 2008, the Company had a foreign exchange loss of $14,762 compared to a gain of $23,501 in 2007. The loss in 2008 was due to the decrease in value of the Euro compared to the Canadian dollar at the end of the year. The gain in 2007 was because much of the liquid assets transferred to Bulgaria during the year were at favourable exchange rates when the Canadian dollar was at a high compared the Euro.

**DEPLETION AND DEPRECIATION**

Depreciation expenses for both 2008 and 2007 of $41,492 and $40,302 respectively is related to office equipment and vehicles in South-East Europe. Although there was an increase in this equipment during 2008 the lower value of the Euro resulted in approximately the same depreciation.

## INCOME TAXES

EurOmax did not incur any income taxes in 2008. The Company estimates Canadian income tax pools as of December 31, 2008 are as follows:

| Summary of tax pools as of December 31 | 2008 $ | 2007 $ |
|---|---|---|
| Canadian Exploration Expense | - | 2,486,000 |
| Canadian Development Expense | - | 395,000 |
| Canadian Oil & Gas Property Expense | - | 524,000 |
| Undepreciated Capital Costs | 172,000 | 172,000 |
| Business Losses | 652,000 | 265,000 |
| Capital Losses | 708,000 | 708,000 |
| Foreign Exploration and Development Expense | 493,000 | 493,000 |
| Share Issue Expenses | 23,000 | 45,000 |
| | 2,048,000 | 5,088,000 |

In addition the Company has tax loss carry-forwards in Bulgaria totalling BGN2,551,000 which expire as follows: 2010 - BGN41,000; 2011 - BGN237,000; 2012 - BGN248,000 and 2013 - BGN677,000: 2014 – BGN1,348,000. As part of the sale of its oil and gas assets the Company transferred the Canadian Exploration Expense, the Canadian Development Expense and Canadian Oil & Gas Property Expense to the purchaser

## CAPITAL EXPENDITURES

Capital expenditures for 2008 of $3,678,525 increased by 22% from the $3,027,185 spent in 2007. The current focus of capital expenditures is on mineral exploration and development in South-Eastern Europe. The majority of capital expenditures were for mineral exploration in South-Eastern Europe.

### Ilovitza Project, Macedonia

At Ilovitza in South-Eastern Macedonia, EurOmax is exploring a newly discovered copper-gold-molybdenum system more than 1.2 kilometres in diameter. Ilovitza is one of several porphyry systems of eastern Macedonia and northern Greece associated with exposed magmatic complexes. Typical of these deposits is the Skouries deposit in Greece which hosts reserves of 146 million tonnes at 0.54% copper and 0.83 grams per tonne gold for 4 million ounces of gold and 800,000 tonnes of copper. The Company has drilled a total of 5 holes totalling 2,598 metres on this property. In addition FMEC drilled 7 holes totalling 2,801 metres prior to the purchase of the option by EurOmax. During 2008, the Company commissioned a preliminary resource study which concluded that the Ilovitza deposit contains an inferred resource of 303 million tonnes grading 0.23% copper, 0.31 grams per tonne gold and 0.005% molybdenum. This resource contains approximately 1.6 billion pounds of copper, 2.9 million ounces of gold and 3.5 million pounds of molybdenum. In copper equivalent terms this equals 3.5 billion pounds of copper. The study recommends a Phase 1 program of geophysics and drilling followed by a Phase 2 program of metallurgical testwork and drilling. EurOmax has completed the geophysics recommended in the Phase 1 program. The results from this geophysical program identified a chargeable resistivity low which is interpreted to be the core of the metallogenic system immediately east of the inferred resource with the potential for the addition of significant tonnage at higher grades. The Company spent $660,683 in 2008 and $439,110 in 2007 on exploration of the Ilovitza project. In addition, the Company paid $410,085 for the acquisition of the option on this property from FMEC in 2007. EurOmax anticipates testing the potential of this core area with a 1,400 metre drill program during 2009.

### Kazandol Project, Macedonia

The Kazandol oxide copper project in located approximately 50 kilometres west of the Ilovitza project in south-eastern Macedonia. Exploration on this project commenced in late 2007 and has identified a near surface shallow dipping copper oxide zone 25 to 100 metres thick over a length of approximately five kilometres with widths up to in excess of 200 metres. Preliminary drilling was conducted in 2008 encountering 47 metres grading 0.59% copper. Five holes totaling 659 metres have been drilled by the

Company at the northern end of this project. In addition, surface trenching encountered 210 metres at 0.4% copper, 175 metres at 0.44% copper and 175 metres at 0.39% copper. This project offers the potential for an early oxide copper production. The Company spent $329,357 in 2008 and $81,010 in 2007 on exploration of the Kazandol project. In addition, the Company paid $273,390 for the acquisition of the option on this property from FMEC in 2007. EurOmax anticipates 5,000 metres of drilling and 4,000 metres of surface trenching during 2009 to allow for a preliminary resource calculation to be made in the northern 500 metres of this trend and wide spaced preliminary drilling of much of the remainder of this trend. Additionally preliminary metallurgical testing will be made of this zone.

**Ceovishte Project, Serbia**
The Ceovishte project is located in southern Serbia. Exploration conducted during 2008 identified a series of ancient gold and lead - silver workings which extend over a strike of nearly 5 kilometres. At the southern end of this trend, a two square kilometer gold bearing silica breccia has been identified surrounding an altered diorite intrusion. Ancient overgrown open pits up to several hundred metres wide cover much of the silica breccia. At the northern end of this trend one drill hole encountered 12.4 metres at 1.5% copper, 1.4% lead, 0.8% zinc, 62 grams per tonne silver and 1.6 grams per tonne gold. Fourteen holes totaling 2,060 metres have been drilled by the Company on this project. The Company spent $671,372 in 2008 and $196,255 in 2007 on exploration of the Ceovishte project. In addition, the Company paid $520,200 for the acquisition of the option on this property from FMEC in 2007. During 2009, EurOmax anticipates a geophysical program to define optimal drill targets followed by a 2,000 metre drill program.

**Karavansalija Project, Serbia**
The Karavansalija project located in southern Serbia was acquired from FMEC on June 6, 2008  This project covers a 60 square kilometre alteration zone and two mineralized centres. Drilling on the property has produced numerous significant intersections including 42 metres at 2.05 grams per tonne gold, 0.76% nickel and 0.06% cobalt included in 111 metres at 1.30 grams per tonne, 0.43% nickel, 0.03% cobalt in drill hole 0828; 120 metres grading 0.55 grams per tonne gold, 0.48% copper and 3.2 grams per tonne silver in drill hole 0829; 235 metres grading 1.08 grams per tonne gold in drill hole 0831 and 166 metres grading 0.63 grams per tonne gold, 0.58% copper, including 63 metres at 1.01 grams per tonne and 1.05% copper in drill hole 0611. The Company has drilled 5 holes totaling 2,599 metres on this project. In addition prior to entering into the option agreement FMEC drill 28 holes totaling 10,058 metres at Karavansalija. The Company spent $755,877 in 2008 on exploration of the Karavansalija project. In addition, the Company paid $851,545 for the acquisition of the option on this property from FMEC. During 2009, EurOmax anticipates conducting a program of surface mapping trenching and geochemistry to better understand the results from previous drilling. This will allow future drilling to be more focused on this larger property.

**Write-off of Mineral Properties**
During the 2008 year, the Company, as part of its annual review of  the carrying value of its mineral properties and future plans for those properties, it was determined that the value of certain properties would be written off.

At Trun in Bulgaria, Teck Cominco decided to abandon their option to earn an interest in this property. EurOmax will maintain its interest in this property until the licence expires, but does not intend to conduct any direct exploration. The Company will attempt to sell or option this property to a third party if possible. Consequently, EurOmax wrote off its capitalized expenses to date in the Trun property of $858,462 at December 31, 2008.

At Rudnitza in Serbia, the Company was exploring for a porphyry copper – gold deposit. A total of nine holes have been drilled on this property but the results indicate that a deposit of the size necessary to be economic in the current global economic environment is highly unlikely. Therefore, while the Company will maintain its interest and attempt to generate a financial return through a sale or farm-out, it wrote off its capitalized expenses to date of $854,683.

As part of the option to acquire mineral properties in Serbia from FMEC, EurOmax obtained interests in three additional properties. The results from preliminary exploration on these properties have not met expectations.

Therefore, while the Company will maintain its interest and attempt to generate a financial return through a sale or farm-out, it wrote off its capitalized expenses to date of $406,212.

At Popintsi in Bulgaria under the original contract with the Bulgarian government drilling was required during 2007. During 2006 and 2007 EurOmax was precluded from conducting drilling or any other exploration due to an inability to access the licence granted by the Ministry of Environment and Water (the “Ministry) pursuant to an agreement between the Company and the Ministry (the “Popintsi Agreement”) dated August 6, 2004 ( the “Popintsi Licence”) as a result of riots and civil unrest by the local population. In August 2006, the Company advised the Ministry that a state of force majeure existed under the Popintsi Agreement. The Ministry did not respond to the Company despite numerous requests. In April 2007, the Company advised the Ministry that it considered the Ministry’s failure to respond was an agreement to the Company’s declaration of force majeure. No response to the April 2007 notice has been received by EurOmax. The threat of violence which caused the force majeure continued as of May 21, 2008. Notwithstanding these facts, the Ministry purportedly terminated the Popintsi Agreement at the end of the initial three year term on August 6, 2007 and only advised the Company on May 21, 2008. Subsequent to this termination, the Ministry accepted the Company’s annual rent payment for the year ending August 6, 2008 which has not been returned. The Ministry did not follow the required protocol under the Popintsi Agreement to terminate this agreement. As a result of this purported termination by the Ministry, the Company wrote off its investment of $475,909 in the Popintsi Licence in 2007. The Company will continue to take all necessary steps to either re-instate the Popintsi Licence or to obtain proper compensation pursuant to the Popintsi Licence and the relevant laws of Bulgaria.

**LIQUIDITY AND FINANCIAL RESOURCES**

At December 31, 2008, the Company had positive working capital of $16,740 compared to $2,277,251 at the end of 2007 including a cash and short-term deposits balance at December 31, 2008 of $331,012 compared to $1,714,485 at the end of 2007. The discontinued operations contribute $15,809 to the working capital at December 31, 2008 compared to $36,059 at December 31, 2007. Accounts receivable and prepaid expenses decreased to $405,131 as at December 31, 2008 compared to $827,023 as at December 31, 2007. The accounts receivable as at December 31, 2008 include one half of a convertible note issued by IRH in the amount of $125,757. The note has a face value of $286,894 of which $35,380 has been accounted for as the value of the conversion feature. This note was issued as repayment by IRH of their outstanding obligations for the services performed by the Company on behalf of its subsidiary Thrace. The decrease in accounts receivable is primarily due to receivables from mineral exploration companies where the Company is acting as a contract operator in Bulgaria being concluded in late 2008. Accounts payable and accrued liabilities were $770,592 at the end of 2008 compared to $300,316 at December 31, 2007. The increase consists primarily of liabilities associated with the activities conducted in Serbia and Macedonia and drilling conducted on behalf of other companies in Bulgaria.

The Company holds 9,000,000 shares and options to acquire another 4,500,000 shares at a price of A$0.25 of IRH. At December 31, 2008 these assets were valued at $80,072 (2007 - $1,239,840) and represents approximately 12%of the total shares outstanding (2007 – 19%) of IRH. The ability to recover these amounts upon sale will be dependent on stock market conditions at that date. IRH trades on the Australian Stock Exchange and there is little liquidity of the stock.

During the year ended December 31, 2008 capital expenditures were funded by the draw down of cash reserves and the issue of additional equity. The current market turmoil has made it nearly impossible to raise additional equity through the public markets for junior mining companies. The market for the commodities being explored by EurOmax has also been severely damaged due to the world wide economic downturn. EurOmax is exploring for mainly for gold and copper. In 2008, gold prices averaged US$872 per ounce ranging from a high of US$1,011 per ounce to a low of US$713 per ounce. In 2009 to date, the gold price has ranged from a low of US$858 to a high of US$969 averaging US$906. As gold is a proxy for money it is expected that these prices will remain at these relatively high levels in historical terms but dramatic increases are not expected unless the economic downturn significantly worsens. The story for copper is much different. The price of copper peaked at slightly above US$4 per pound in mid 2008. As the economic downturn progressively worsened copper prices fell to a low of approximately US$1.25 per pound in December 2008 before recovering to approximately US$2.18 currently. This volatility in prices has effectively shut down the credit markets and to a lesser but still significant extent the public equity markets for mineral projects. Mining is a capital intensive industry which requires debt as well as equity to finance its projects. There is also a long lead time from discovery to production, often in excess of 5 years. The current commodity price volatility only worsens the financial climate for mineral projects. As a result, EurOmax has entered into an agreement to complete a merger with Silk Road, subject to shareholder approval, other necessary regulatory approvals and court approval. The assets of Silk Road are narrow vein gold projects in China. Silk Road has entered into an agreement to sell most of its properties to a Chinese mining company. The merger and sale of the mineral properties by Silk Road is expected to be completed by mid 2009. If the merger is approved it is expected that the Company will have immediate access to several million dollars to fund its activities in South-Eastern Europe. If it is not completed then the ability of the Company to continue will be seriously jeopardized. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2008, the Company paid or accrued management and consulting fees in the amount of $221,000 (2007 - $211,000) to current and former directors or companies controlled by current and former directors. Of these amounts $54,306 (2007 -$23,717) is included in accounts payable and accrued liabilities at year end. Management and consulting fees have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties based on standard commercial terms.

**FOURTH QUARTER EVENTS**

The Company recorded a loss in the fourth quarter of $3,288,000 compared to a loss of $706,000 for the same quarter in 2007. In the fourth quarter of 2008 the Company had a write-off of $2,119,000 (2007- $476,000) associated with its mineral properties. Also during the fourth quarter of 2007, the Company had an unrealized loss of $38,000 (2007- gain of $113,000) associated with the stock options which it holds in Balkans. During the fourth quarter the Company made the determination that the reduction in value of its investments is not temporary resulting in a write-down of its investments by $644,000. No similar transaction occurred in the fourth quarter of 2007. The loss for the quarter this year included a stock based compensation expense of $192,000 in the current quarter compared to a total of $117,000 in 2008. Discontinued operations contributed $123,773 to income in the fourth quarter of 2008 the majority of which was the gain on the sale of the oil and gas assets of $119,000. During the fourth quarter of 2007 the contribution by discontinued operations was a loss of $23,000. Administration costs in the fourth quarter of 2008 were $260,141 which were higher than the $190,807 in the similar period in 2007 as there were no recoveries for services provided to other companies to assist their exploration activities in Bulgaria in 2008. In addition during the fourth quarter of 2008 the Company had a general exploration expense on new property evaluations in Serbia and Macedonia. During 2007 there was no similar expense.

**CONTRACTUAL OBLIGATIONS**

The Company's mineral properties in Serbia and Macedonia were acquired under an option agreement with FMEC. FMEC conducts the operations for EurOmax under these option agreements. As of December 31, 2008, the Company had an outstanding balance of $243,000. EurOmax is required to prepay the exploration amounts but at December 31, 2008 was unable to make the payment. The Company has a 30 day period to remedy any default under the option agreements after receiving notice. The notice has not been received at the date of this MD&A. In addition the Company has a drilling commitment on certain properties to maintain the option agreements. This has not been completed as of the date hereof.

As part of the requirements to maintain the option in good standing, the Company must maintain the underlying properties in good standing.

In Macedonia, these properties are held pursuant to an Exploration Permit ("Permit") granted by the Ministry of Economy. These Permits have an initial term of four years with a right to extend the term under certain circumstances. The Company may withdraw from a Permit at any time. In the event of an economic discovery on a Permit, the Company has the right to apply for a mineral concession ("Concession"). The term for a Concession is for an initial term of 30 years to extract the mineralization renewable for an additional 30 years. The mining law in Macedonia was amended in July 2008 to modernize it to be more in line with current western legislation (the "Amended Law").

In Serbia Exploration Permits are issued under the 1996 Law on Geological Exploration by the Serbian Ministry of Energy and Mines. An Exploration Permit is valid until the end of the calendar year in which it was issued and can be extended until the end of the following calendar year by filing an annual report on the previous year's work program and a proposed work program for the current year. The Exploration Permit grants rights to explore for mineral deposits, but not to exploit a mineral deposit should a discovery be made. In case of a discovery under the terms of an Exploration Permit, the transfer of the ownership rights to an Exploitation License are regulated under paragraph 17 of the 2005 Act on the Amendments to the Mining Act of 1995.

**New Accounting Pronouncements**

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook. There was no material impact on the Company's financial condition or operating results, as a result of the adoption of these new standards:

(a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional information by financial asset and liability categories.

(b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

(c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose the following, based on the information provided internally to the Company's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

**Future Accounting Pronouncements**

(a) In February 2008, the CICA issued Section 3064 - Goodwill and Intangible Assets, which replaces Section 3062 - Goodwill and Other Intangible Assets and Section 3450 - Research and Development Costs. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to initial recognition and of intangible assets by profit-oriented enterprises. The section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008, and is not expected to have a material impact on the Company's financial condition or operation results

(b) In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operation results.

(c) International Financial Reporting Standards ("IFRS")
In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP, affecting interim and annual financial statements relating to fiscal years after this time. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is currently assessing the impact of the convergence of Canadian GAAP with IFRS on results of operations, financial position and disclosures. A project team has been set up to manage this transition and to ensure successful implementation within the required timeframe. A high level analysis has been completed to identify areas affected by the change. The Company will provide disclosures of the key elements of our plan and progress on this transition as the information becomes available during the transition period.

To transition to IFRS, the Company must apply "IFRS 1 - First Time Adoption of IFRS" which set out the rules for first time adoption. In general, IFRS 1 requires an entity to comply with each IFRS effective at the reporting date for the entity's first IFRS financial statements. This requires that an entity apply IFRS to its opening IFRS balance sheet as at January 1, 2010 (i.e.: the balance sheet prepared at the beginning of the earliest comparative period presented in the entity's first IFRS financial statements).

Within IFRS 1 there are exemptions, some of which are mandatory and some of which are elective. The exemptions provide relief for companies from certain requirements in specified areas when the cost of complying with the requirements is likely to exceed the resulting benefit to users of financial statements. IFRS 1 generally requires retrospective application of IFRS's on first-time adoptions, but prohibits such application in some areas, particularly when retrospective application would require judgments by management about past conditions after the outcome of a particular transaction is already known.

On transition, management must apply the mandatory exemptions and make the determination as to which elective exemptions will be made under IFRS 1. Management has completed the high level analysis of the financial statement areas and is currently reviewing the analysis to make determinations on what elections will be taken. After these decisions are made, the impact on the financial statements will be determinable.

Management continues to assess the impact that IFRS will have on the aspects of the business including accounting policy, financial reporting, information technology and communications perspective. Management is currently reviewing accounting systems and assessing the changes that will be required and the strategies that will be employed. Communication and training strategies are also being developed by management.

## CRITICAL ACCOUNTING POLICIES

A comprehensive discussion of the Company's significant accounting policies is contained in Note 3 to the consolidated financial statements. There have been no changes in accounting policies during the last year.

Certain of these policies are recognized as critical because in applying these policies management is required to make judgments, assumptions and estimates that have a significant impact on the financial results of the Company. The estimates used in applying these critical accounting policies have been discussed with the Audit Committee of our Board of Directors and are discussed below.

### Measurement uncertainties

Generally accepted accounting principles require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. The most significant estimates relate to the calculation of asset retirement obligations; the valuation of property and equipment, the calculation of depreciation and depletion; recoverability of accounts receivable, valuation of future income tax amounts, impairment testing and the calculation of stock based compensation.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

### Mineral Properties

Direct costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest and mineral basis. These expenditures will be charged against income through unit-of production depletion when properties are developed to the stage of commercial production. Where the Company's exploration commitments are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned or management determines that the carrying value cannot be supported by future production or sale, the related costs are charged to operations.

## QUARTERLY DATA

| *(in thousands of dollars* | 2008 | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| *except per share amounts)* | ***Q4*** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** |
| Revenue | - | - | - | - | - | - | - | - |
| Net loss - continuing operations | (3,412) | (366) | (160) | (437) | (683) | (247) | (534) | (71) |
| Per share - basic and diluted | (0.06) | (0.01) | (0.00) | (0.01) | (0.01) | (0.01) | (0.01) | (0.00) |
| Net income /(loss) - discontinued operations | 124 | 9 | 62 | 37 | (23) | 77 | 75 | 67 |
| Per share - basic and diluted | 0.00 | 0.00 | 0.00 | 0.00 | (0.00) | 0.00 | 0.00 | 0.00 |
| Net loss | (3,288) | (357) | (98) | (400) | (706) | (170) | (459) | (4) |
| Per share - basic and diluted | (0.06) | (0.01) | (0.00) | (0.01) | (0.01) | (0.00) | (0.01) | (0.00) |
| Total assets | 6,264 | 8,425 | 7,673 | 7,555 | 7,749 | 8,139 | 6,388 | 6,568 |
| Long term debt | - | - | - | - | - | - | - | - |
| Dividends | - | - | - | - | - | - | - | - |

## OUTSTANDING SHARE DATA

As of April 27, 2008, the following securities were outstanding:

Share Capital : 56,772,487 common shares with a recorded value of $23,577,652

Share Purchase Warrants: as per note 9(d) of the financial statements.

Stock Options:

| OUTSTANDING | | | | EXERCISABLE | | |
|---|---|---|---|---|---|---|
| Average Price | Number | Average Remaining life (months) | | Average Price | Number | Average Remaining life (months) |
| $ 0.26 | 10,000 | 3.32 | | $ 0.26 | 10,000 | 14.32 |
| $ 0.32 | 150,000 | 9.37 | | $ 0.32 | 150,000 | 9.37 |
| $ 0.22 | 20,000 | 12.92 | | $ 0.22 | 20,000 | 23.92 |
| $ 0.36 | 90,000 | 25.44 | | $ 0.36 | 90,000 | 36.44 |
| $ 0.36 | 90,000 | 26.60 | | $ 0.36 | 60,000 | 37.60 |
| $ 0.42 | 675,000 | 27.94 | | $ 0.42 | 675,000 | 38.94 |
| $ 0.72 | 990,000 | 37.61 | | $ 0.72 | 990,000 | 48.61 |
| $ 0.72 | 195,000 | 38.63 | | $ 0.72 | 195,000 | 49.63 |
| $ 0.32 | 612,500 | 45.37 | | $ 0.32 | 408,333 | 45.37 |
| $ 0.32 | 185,000 | 51.45 | | $ 0.32 | 61,666 | 51.45 |
| $ 0.49 | 3,017,500 | 35.10 | | $ 0.52 | 2,598,333 | 43.08 |

## OPERATIONAL AND OTHER BUSINESS RISKS

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

### Current Global Financial Conditions

Current global financial conditions have been characterized 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 Company'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.

### Fluctuation of Commodity Prices

The Company's exploration and other mining activities have previously been, and may in the future be, significantly adversely affected by declines in commodity prices. Commodity prices are volatile and are affected by numerous factors beyond the Company'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 Company's future revenues, profits and cash flows. In particular, sustained low, or further reductions in, commodity prices could:

- reduce or eliminate the Company's ability to finance the exploration and development of existing and future mineral projects;
- force the Company 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 Company's securities.

Furthermore, declining or sustained low commodity prices could impact the Company'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.

**Dependence on Third Party Financing**

The Company currently has no source of operational cash flow. As a result, the Company 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 and upon the ability of a company without any significant projects already in production to attract significant amounts of debt and/or equity. There can be no assurance that such financing will be available to the Company 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 Company's properties.

**Currency Risk**

The Company maintains most of its working capital in Canadian and United States dollars. Although, the Company currently operates in Macedonia and Serbia a significant portion of its operating costs are incurred in United States dollars or Euros. Accordingly, the Company is subject to fluctuations in the rates of currency exchange between the Canadian, United States dollar and the Euro. The Company has not hedged its exposure to currency fluctuations.

**Economic and Political Instability in Foreign Jurisdictions**

The Company currently operates in Macedonia and Serbia. There are risks to conducting business in foreign countries. These risks may include, among others, invalidation of governmental orders and permits, corruption, 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 Company of its legal rights to exploit its properties may not be recognized by any foreign government or by the court system of a foreign country. These risks may limit or disrupt the Company'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.

**Mineral Exploration and Development**

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 Company continues to be involved in exploration, the long-term success of its operations will be related to the cost and success of its exploration programs. There can be no assurance that the Company'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 has economically mineable mineralization. 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 programs will result in the discovery of mineral reserves and the development of mines.

**Resource Estimates**
The mineral resource estimates presented herein are made by Company personnel and independent geologists. These estimates are imprecise and 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.

**Operating Hazards and Other Uncertainties**
The Company'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;
- labor 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 Company 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 Company's financial position and results of operations.

**Limitations on the transfer of cash or other assets**
The Company is a Canadian company that conducts operations through foreign (principally Macedonia and Serbia) subsidiaries and joint ventures, and substantially all of the Company's assets consist of equity in these entities. Accordingly, any limitation on the transfer of cash or other assets between the Company and these entities, or among these entities, could restrict the Company's ability to fund its operations efficiently.

**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 Company's operating costs and have a material adverse impact on the Company.

**Environmental Risks**
All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. There is no assurance that the Company 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 Company has an interest which are unknown to the Company 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 Company's operations, or its ability to develop its properties economically.

**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 Company's financial position and results of operations.

**Competition**
The Company 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 Company will be able to compete successfully against other companies in acquiring new prospecting, development or mining rights.

**Title Matters**
The Company 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 Company cannot guarantee that title to its properties will not be challenged. The Company'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 Company might be unable to operate its properties as permitted or to enforce its rights with respect thereto.

**Insurance coverage could be insufficient**
While the Company 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 Company 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 financial performance and results of operations.

**Dependence on Key Personnel**
The success of the Company 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 Company may have a material adverse effect on the Company. The Company does not presently have "key person" life insurance for any of its officers.

**Conflicts of Interest**
Certain of the directors of the Company are directors of other mineral resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company 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

Company, a director who has such a conflict will abstain from voting for or against the approval of such matter. Furthermore, in appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Management of Euromax Resources Ltd. is responsible for the preparation of all information included in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect Management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. The financial information contained elsewhere in this Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control that provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records provide reliable and accurate information for the preparation of financial statements.

Deloitte & Touche LLP, an independent firm of chartered accountants, was appointed by the shareholders of Euromax Resources Ltd. to audit the consolidated financial statements of the Company and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors, through its Audit Committee, has reviewed the consolidated financial statements including notes thereto with Management and Deloitte & Touche LLP. The members of the Audit Committee are composed of a majority of independent directors who are not employees of the Company. The Company's Board of Directors has approved the information contained in the consolidated financial statements based on the recommendation of the Audit Committee.

John C. Menzies
Chairman and Chief Executive Officer

Christopher A. Serin
Chief Financial Officer

April 27, 2009

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# Auditors' report

To the Shareholders of
EurOmax Resources Ltd.

We have audited the consolidated balance sheets of EurOmax Resources Ltd. as at December 31, 2008 and 2007 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

***(Signed) Deloitte & Touche LLP***

Chartered Accountants
April 27, 2009

# EurOmax Resources Ltd.

## Consolidated statements of loss and comprehensive loss
## years ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| | | (Restated - Note 4) |
| **Expenses** | | |
| Write-down of property and equipment (Note 6) | **2,119,357** | 491,863 |
| General and administrative (Note 11) | **819,554** | 696,947 |
| Stock-based compensation | **455,488** | 539,931 |
| Other expense (income) | **66,543** | (15,640) |
| Depletion, depreciation and accretion | **41,492** | 40,507 |
| General exploration expenses | **39,879** | - |
| Foreign exchange loss (gain) | **14,672** | (23,501) |
| | **3,556,985** | 1,730,107 |
| Other expenses (income) | | |
| Write-down of investment (Note 7 (a)) | **693,864** | - |
| Loss on disposal of property and equipment | **-** | 7,238 |
| Loss (gain) on stock options held (Note 7 (b)) | **150,922** | (112,865) |
| Interest income | **(16,280)** | (89,302) |
| | **828,506** | (194,929) |
| Net loss from continuing operations | **(4,385,491)** | (1,535,178) |
| Net income from discontinued operations (Note 4) | **231,431** | 196,144 |
| **Net loss** | **(4,154,060)** | (1,339,034) |
| Other comprehensive loss | | |
| Loss on mark-to-market of investment, net of tax | **(1,008,846)** | (820,989) |
| Reclassification of losses recorded in earnings | **693,864** | - |
| | **(314,982)** | (820,989) |
| **Comprehensive loss** | **(4,469,042)** | (2,160,023) |
| Basic and diluted (loss) earnings per share from | | |
| Continuing operations | **(0.09)** | (0.03) |
| Discontinued operations | **0.00** | 0.00 |
| | **(0.09)** | (0.03) |
| Weighted average number of shares outstanding | **49,682,904** | 44,776,516 |

# EurOmax Resources Ltd.

## Consolidated balance sheets
## as at December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| | | (Restated - Note 4) |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **331,012** | 1,714,485 |
| Accounts receivable, prepaids and deposits | **405,131** | 827,023 |
| Derivative on convertible note (Note 7 (c)) | **35,380** | - |
| Current assets of discontinued operations (Note 4) | **15,809** | 50,009 |
| | **787,332** | 2,591,517 |
| Note receivable (Note 7 (c)) | **125,757** | - |
| Stock options held (Note 7 (b)) | **4,058** | 154,980 |
| Investment (Note 7 (a)) | **76,014** | 1,084,860 |
| Restricted cash (Note 5) | **18,342** | 29,460 |
| Property and equipment (Note 6) | **5,268,454** | 3,749,300 |
| Non-current assets of discontinued operations (Note 4) | **-** | 138,500 |
| | **6,279,957** | 7,748,617 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **770,592** | 300,316 |
| Non-current liabilities of discontinued operations (Note 4) | **-** | 13,950 |
| | **770,592** | 314,266 |
| **Shareholders' equity** | | |
| Share capital (Note 8) | **23,577,652** | 21,815,352 |
| Warrants | **548,544** | 208,276 |
| Contributed surplus | **1,160,912** | 719,424 |
| Accumulated other comprehensive income | **-** | 314,982 |
| Deficit | **(19,777,743)** | (15,623,683) |
| | **5,509,365** | 7,434,351 |
| | **6,279,957** | 7,748,617 |

Nature of operations and continuance of business (Note 1)
Commitments and contingencies (Note 10)

Approved by the Board

***(Signed) John C. Menzies***
John C. Menzies, Director

***(Signed) Robert D. Waymouth***
Robert D. Waymouth, Director

# EurOmax Resources Ltd.

Consolidated statements of shareholders' equity
years ended December 31, 2008 and 2007

| | Common shares | | | | Accumulated other comprehensive | | |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Warrants | Contributed surplus | income (loss) | Deficit | Total |
| | | $ | $ | $ | $ | $ | $ |
| **Balance at December 31, 2006** | 40,399,155 | 18,893,837 | 419,532 | 210,793 | - | (14,284,649) | 5,239,513 |
| Opening mark-to-market adjustment, net of tax | - | - | - | - | 1,135,971 | - | 1,135,971 |
| Net loss | - | - | - | - | - | (1,339,034) | (1,339,034) |
| Other comprehensive loss on mark-to-market of investment, net of tax | - | - | - | - | (820,989) | - | (820,989) |
| Comprehensive loss | | | | | | | (2,160,023) |
| Shares issued for: | | | | | | | |
| Exercise of warrants (Note 8 (b)) | 2,800,000 | 1,331,256 | (211,256) | - | - | - | 1,120,000 |
| Exercise of stock options (Note 8 (b)) | 1,273,332 | 164,699 | - | (31,300) | - | - | 133,399 |
| Mineral property (Note 8 (b)) | 2,750,000 | 1,425,560 | - | - | - | - | 1,425,560 |
| Stock-based compensation (Note 8 (e)) | - | - | - | 539,931 | - | - | 539,931 |
| Balance at December 31, 2007 | 47,222,487 | 21,815,352 | 208,276 | 719,424 | 314,982 | (15,623,683) | 7,434,351 |
| Net loss | - | - | - | - | - | (4,154,060) | (4,154,060) |
| Other comprehensive loss on mark-to-market of investment, net of tax | - | - | - | - | (1,008,846) | - | (1,008,846) |
| Reclassification of losses recorded in earnings | - | - | - | - | 693,864 | - | 693,864 |
| Comprehensive loss | | | | | | | (4,469,042) |
| Shares issued for: | | | | | | | |
| Issue for cash (Note 8 (b)) | 6,350,000 | 878,300 | 340,268 | - | - | - | 1,218,568 |
| Exercise of stock options (Note 8 (c)) | 700,000 | 84,000 | - | (14,000) | - | - | 70,000 |
| Mineral property (Note 8 (b)) | 2,500,000 | 800,000 | - | - | - | - | 800,000 |
| Stock-based compensation (Note 8 (e)) | - | - | - | 455,488 | - | - | 455,488 |
| **Balance at December 31, 2008** | 56,772,487 | 23,577,652 | 548,544 | 1,160,912 | - | (19,777,743) | 5,509,365 |

See accompanying notes to the consolidated financial statements.

# EurOmax Resources Ltd.

## Consolidated statements of cash flows
## years ended December 31, 2008 and 2007

| | 2008 | 2007 |
|---|---|---|
| | $ | $ (Restated - Note 4) |
| **Operating activities** | | |
| Net loss from continuing operations | **(4,385,491)** | (1,535,178) |
| Items not involving cash | | |
| Loss on disposal of property and equipment | **-** | 7,238 |
| Write-down of investment | **693,864** | - |
| Gain on expiration of payable (Note 6) | **-** | (15,640) |
| Unrealized loss (gain) on stock options held | **150,922** | (112,865) |
| Write-down of property and equipment | **2,119,357** | 491,863 |
| Stock-based compensation | **455,488** | 539,931 |
| Depletion, depreciation and accretion | **41,492** | 41,523 |
| Net change in non-cash working capital balances (Note 13) | **731,031** | (233,247) |
| Cash used by continuing operations | **(193,337)** | (816,375) |
| Cash provided by discontinued operations | **166,113** | 332,758 |
| | **(27,224)** | (483,617) |
| **Investing activities** | | |
| Acquisition of property and equipment | **(2,878,525)** | (3,027,185) |
| Increase in investments | **-** | (42,115) |
| Restricted cash deposits (Note 5) | **14,580** | 20,622 |
| Proceeds from sale of discontinued operations (Note 4) | **303,000** | - |
| Cash used by continuing operations | **(2,560,945)** | (3,048,678) |
| Cash used by discontinued operations | **(80,409)** | (58,371) |
| | **(2,641,354)** | (3,107,049) |
| **Financing activity** | | |
| Issue of shares and warrants, net of issuance costs | **1,288,568** | 2,678,959 |
| Effect of foreign exchange rate changes on cash and cash equivalents | **(3,463)** | 9,405 |
| Net decrease in cash and cash equivalents | **(1,383,473)** | (902,302) |
| Cash and cash equivalents, beginning of year | **1,714,485** | 2,616,787 |
| **Cash and cash equivalents, end of year** | **331,012** | 1,714,485 |
| Cash and cash equivalents is comprised of | | |
| Cash | **331,012** | 714,485 |
| Short-term deposits | **-** | 1,000,000 |
| | **331,012** | 1,714,485 |
| Supplemental cash flow information | | |
| Interest received | **16,280** | 96,334 |
| Non-cash investing and financing transactions | | |
| Shares issued for property | **800,000** | 1,425,560 |

See accompanying notes to the consolidated financial statements.

# EurOmax Resources Ltd.

Notes to the consolidated financial statements
December 31, 2008 and 2007

## 1. Nature of operations and continuation of business

The consolidated financial statements include the accounts of EurOmax Resources Ltd. (the "Company") and the accounts of its wholly-owned subsidiaries, Omax International Ltd., Omax Energy Ltd., Martern EOOD ("Martern") and Scala Mines EOOD ("Scala").

The Company is in the process of exploring its mineral properties in Bulgaria, Serbia and Macedonia which have the potential for the discovery of economically recoverable minerals. The measurement of certain assets and liabilities is dependent on future events therefore the preparation of these consolidated financial statements requires the use of estimates, which may vary from actual results. The success of the Company's exploration and development of its mineral interests in Bulgaria, Serbia and Macedonia is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Company to discover economically recoverable reserves and to bring such reserves into future profitable production. The amounts shown for mineral interests represent net costs incurred to date and do not necessarily represent present or future values. Such estimates have been made using careful judgments and conform to the significant accounting policies summarized below.

The Company's exploration, development and production of natural resources activities in western Canada were disposed of in December 2008 (Note 4).

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. The current market turmoil has made it difficult to raise additional equity through the public markets for junior mining companies. The current commodity price volatility only worsens the financial climate for mineral projects. Mining is a capital intensive industry which often requires debt as well as equity to finance its projects. There is also a long lead time from discovery to production, often in excess of five years. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company. If the Company cannot obtain additional financing, the Company may be forced to realize its assets at amounts significantly lower than the current carrying value.

Uncertainty also exists with respect to the recoverability of the carrying value of certain resource properties. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and confirmation of the Company's title to the resource properties.

## 2. Change in accounting policies

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

(a) Section 3862, *Financial Instruments - Disclosures*, which replaces Section 3861 and provides expanded disclosure requirements that provide additional information by financial asset and liability categories.

(b) Section 3863, *Financial Instruments - Presentation*, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

## 2. Change in accounting policies (continued)

(c) Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company is required to disclose the following, based on the information provided internally to the Company's key management personnel:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) Section 1400, *General Standards of Financial Statement Presentation*, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

## 3. Significant accounting policies

*(a) Principles of consolidation*

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany balances and transactions have been eliminated.

Variable interest entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, *Consolidation of Variable Interest Entities* ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. The Company has not identified any VIEs at December 31, 2008.

*(b) Measurement uncertainties*

Generally accepted accounting principles ("GAAP") require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. The most significant estimates relate to the calculation of asset retirement obligations; the impairment of property and equipment, and the calculation of depreciation and depletion; recoverability of accounts receivable, valuation of future income tax amounts, impairment testing and the calculation of stock based compensation.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

## 3. Significant accounting policies (continued)

*(c) Cash and cash equivalents*

Cash and cash equivalents consists of balances with banks and investments in highly liquid short-term deposits with a maturities from the date of acquisition of three months or less.

*(d) Property and equipment*

(i) Canadian petroleum and natural gas properties

The Company follows the full cost method of accounting for exploration and development expenditures, whereby all costs relating to the exploration for and the development of petroleum and natural gas reserves are initially capitalized into cost centres by country. Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties, costs of drilling productive and non-productive wells together with lease and well equipment. Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless such a disposition would significantly alter the rate of depletion by 20% or more.

Capitalized costs are depleted using the unit-of-production method based on estimated proved petroleum and natural gas reserves as determined by independent engineers. For purposes of the calculation, petroleum and natural gas reserves and production are converted to a common unit of measure on the basis of their relative energy content whereby one barrel of oil equals six thousand cubic feet of natural gas.

Future capital costs to develop proved reserves are included and costs of acquiring unproved properties are excluded from the depletion and depreciation base until it is determined whether proved reserves are attributable to the properties, or until impairment has occurred. Unproved properties are evaluated separately for impairment based on management's assessment of future drilling.

Under the full cost method of accounting, a limit is placed on the carrying amount of petroleum and natural gas properties. A "ceiling test" is performed to recognize and measure impairment, if any. Impairment is recognized if the carrying amount of petroleum and natural gas properties, less the cost of undeveloped properties not subject to depletion (the "adjusted carrying amount") exceeds the estimated undiscounted future cash flows from the Company's proved reserves. The future cash flows are based on a forecast of prices and costs, as provided by independent engineers. If recognized, the magnitude of the impairment is then measured by comparing the adjusted carrying amount to the estimated discounted future cash flows of the Company's proved and probable reserves. The future cash flows are discounted at the Company's risk-free interest rate, using forecasted prices and costs.

(ii) Office and other equipment

Office and other equipment are depreciated over their estimated useful lives on a straight-line basis over three to 10 years.

**3. Significant accounting policies (continued)**

*(d) Property and equipment (continued)*

(iii) Mineral properties

Direct costs relating to the acquisition, exploration and development of mineral properties are capitalized on an area of interest and mineral basis. These expenditures will be charged against income through unit-of production depletion when properties are developed to the stage of commercial production. Where the Company's exploration commitments are performed under option agreements with a third party, the proceeds of any option payments under such agreements are applied to the area of interest to the extent of costs incurred. The excess, if any, is credited to operations. If an area of interest is abandoned or management determines that the carrying value cannot be supported by future production or sale, the related costs are charged to operations.

*(e) Asset retirement obligations*

The estimated fair value of each asset retirement obligation is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows to rehabilitate the asset at the Company's credit-adjusted risk-free interest rate. The obligation is reviewed regularly by Company management based upon current regulations, costs, technologies and industry standards. The discounted obligation is initially capitalized as part of the carrying amount of the related petroleum and natural gas properties and a corresponding liability is recognized. The increase in petroleum and natural gas properties is depleted on the same basis as the remainder of the petroleum and natural gas properties. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the statement of loss. Actual restoration expenditures are charged to the accumulated obligation as incurred. As at December 31, 2008, the Company has no asset retirement obligations related to its mineral properties in Bulgaria, Serbia and Macedonia.

*(f) Revenue recognition*

Revenue from the sale of petroleum and natural gas is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including production, transportation, and production-based royalty expenses will be recognized in the same period in which the related revenue is earned and recorded.

*(g) Income taxes*

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the substantively enacted tax rates in the period of anticipated realization.

## 3. Significant accounting policies (continued)

### (h) *Stock-based compensation*

All stock-based awards are measured and recognized using a fair value method based on Black-Scholes model. The fair value of the stock-based compensation awards at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded to share capital.

The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather, the Company accounts for cancellations as they occur.

### (i) *Loss per share*

Net loss per share is calculated based on the weighted average number of common shares outstanding during the period. The diluted weighted average number of shares takes into account the dilutive effect of options and warrants. Under the treasury stock method, only “in the money” options and warrants are included in the weighted average diluted number of shares. It is also assumed that any proceeds obtained upon the exercise of options and warrants plus the unamortized portion of stock-based compensation would be used to purchase common shares at the average price during the period. The weighted average number of shares is then reduced by the number of shares acquired.

### (j) *Foreign currency translation*

The Company follows the temporal method when translating foreign currency transactions and the financial statements of its integrated subsidiaries.

Under this method, foreign currency denominated assets and liabilities are translated at the exchange rate prevailing at the balance sheet date for monetary items and at the transaction date for non-monetary items. Revenues and expenses, except depletion and depreciation, are translated at average exchange rates for the year. Depletion and depreciation are translated at the same rate as the related assets. Exchange gains or losses on translation of current and non-current monetary items are included in the determination of net income (loss).

### (k) *Financial instruments – recognition and measurement*

All financial instruments are initially recorded at fair value. Financial assets are designated upon inception into one of the following 4 categories: held-to-maturity, held-for-trading, available-for-sale or loans-and-receivables. Financial liabilities are designated upon inception as either held-for-trading or other-financial-liabilities.

Financial instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in net income for the period. The Company’s stock options held and cash and short-term money market investments are classified as held-for-trading.

Financial instruments classified as loans-and-receivables, held-to-maturity and other-financial-liabilities are measured at amortized cost. The Company’s accounts receivable are classified as loans-and-receivables while accounts payable are classified as other-financial-liabilities.

## 3. Significant accounting policies (continued)

*(k) Financial instruments – recognition and measurement (continued)*

Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's investment is classified as available-for-sale.

Transactions costs associated with held-for-trading financial instruments are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the instrument.

*(l) Future accounting pronouncements*

(i) In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to initial recognition and of intangible assets by profit-oriented enterprises. The section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008, and is not expected to have a material impact on the Company's financial condition or operation results.

(ii) In January 2009, the CICA issued Section 1582, *Business Combinations*, which replaces Section 1581, *Business Combinations*, and Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-Controlling Interests*, which replace Section 1600, *Consolidated Financial Statements*. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company's financial condition or operation results.

(iii) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

## 4. Discontinued operations

On December 1, 2008, the Company completed an agreement with a third party for the sale of all of its producing oil and gas interests. The sale price was $303,000, subject to closing adjustments. The Company's oil and gas operations have been accounted for as discontinued operations. Results of the Company's oil and gas assets have been included in the financial statements up to the closing date of the sale (the date that control was transferred to the purchaser).

| | $ |
|---|---|
| Cash proceeds of sale | 303,000 |
| Oil and gas assets sold | (199,141) |
| Asset retirement obligation | 14,701 |
| Gain on sale of discontinued operations | 118,560 |

Assets and liabilities of discontinued operations as at December 31, 2008 included current assets of $15,809 (2007 - $50,009) and property and equipment of $Nil (2007 - $138,500) and asset retirement obligations of $Nil (2007 - $13,950).

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Current assets | | |
| Accounts receivable | **15,809** | 50,009 |
| Current assets of discontinued operations | **15,809** | 50,009 |
| Petroleum and natural gas properties - Canada | **-** | 138,500 |
| Non-current assets of discontinued operations | **-** | 138,500 |
| Total assets of discontinued operations | **15,809** | 188,509 |
| **Liabilities** | | |
| Asset retirement obligation | **-** | 13,950 |
| Total liabilities of discontinued operations | **-** | 13,950 |

| | Years ended December 31, | |
|---|---|---|
| | **2008** | 2007 |
| | **$** | $ |
| Revenue | | |
| Petroleum and natural gas sales | **179,458** | 349,140 |
| Expenses | | |
| Production | **41,831** | 62,850 |
| Transportation | **5,714** | 15,471 |
| Depletion and accretion | **19,042** | 74,675 |
| | **66,587** | 152,996 |
| Net income | **112,871** | 196,144 |
| Gain on sale | **118,560** | - |
| Net income from discontinued operations | **231,431** | 196,144 |

## 5. Restricted cash

During the year ended December 31, 2004, under the terms of the mineral licenses granted to the Company in Bulgaria, a bond for potential environmental reclamation was required to be deposited with the Ministry of Environment and Water. The Company's banker provided the government with a guarantee to cover these bonds in the amount of US$15,000 (2007 - US$30,000). As a condition of providing these guarantees the Company's banker required that the Company place a deposit in the amount of US$15,000 (2007 - US$30,000) in a segregated account.

## 6. Property and equipment

| | | | **2008** |
|---|---|---|---|
| | **Cost** | **Accumulated depletion and depreciation** | **Net book value** |
| | **$** | **$** | **$** |
| Office and other equipment | **242,403** | **162,834** | **79,569** |
| Mineral properties | **5,188,885** | **-** | **5,188,885** |
| | **5,431,288** | **162,834** | **5,268,454** |

| | | | 2007 |
|---|---|---|---|
| | Cost | Accumulated depletion and depreciation | Net book value |
| | $ | $ | $ |
| Office and other equipment | 220,351 | 108,214 | 112,137 |
| Mineral properties | | | |
| Bulgaria, Macedonia and Serbia | 3,637,163 | - | 3,637,163 |
| | 3,857,514 | 108,214 | 3,749,300 |

No general and administrative costs have been capitalized in 2008 or 2007.

## 6. Property and equipment (continued)

*Mineral properties*

Mineral interest additions by area of interest

| | Bulgaria | | | Macedonia | | Serbia | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trun | Popintsi | Peroto | Kazandol | Ilovitza | Rudnitza | Ceovishte | Karavansalija | Others | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Balance, | | | | | | | | | | |
| December 31, 2006 | 753,002 | 407,532 | 15,954 | - | - | - | - | - | - | 1,176,488 |
| Acquisition | 100,068 | 68,377 | - | 273,390 | 410,085 | 581,400 | 520,200 | - | 122,400 | 2,075,920 |
| Assaying and analysis | 1,045 | - | - | 761 | 17,934 | 5,103 | - | - | - | 24,843 |
| Drilling | - | - | - | - | 245,902 | 104,007 | 137,592 | - | - | 487,501 |
| Geological consulting | - | - | - | 21,042 | 96,618 | 23,562 | 26,841 | - | 10,408 | 178,471 |
| Other | - | - | - | 59,207 | 78,656 | 13,411 | 31,822 | - | 2,707 | 185,803 |
| | 854,115 | 475,909 | 15,954 | 354,400 | 849,195 | 727,483 | 716,455 | - | 135,515 | 4,129,026 |
| Property write-off | - | (475,909) | (15,954) | - | - | - | - | | - | (491,863) |
| Balance, | | | | | | | | | | |
| December 31, 2007 | 854,115 | - | - | 354,400 | 849,195 | 727,483 | 716,455 | - | 135,515 | 3,637,163 |
| Additions 2008 | | | | | | | | | | |
| Acquisition | 4,347 | - | - | - | - | - | - | 851,545 | - | 855,892 |
| Assaying and analysis | - | - | - | 3,391 | 30,231 | 2,343 | 28,439 | 38,242 | 5,245 | 107,891 |
| Drilling | - | - | - | 156,668 | 358,685 | 71,199 | 386,181 | 548,605 | 179,070 | 1,700,408 |
| Geological consulting | - | - | - | 97,307 | 137,333 | 27,039 | 134,337 | 68,906 | 49,041 | 513,963 |
| Geophysical contractors | - | - | - | - | 40,102 | - | - | - | - | 40,102 |
| Other | - | - | - | 71,991 | 94,332 | 26,619 | 122,416 | 100,124 | 37,341 | 452,823 |
| | 858,462 | - | - | 683,757 | 1,509,878 | 854,683 | 1,387,828 | 1,607,422 | 406,212 | 7,308,242 |
| Property write-off | (858,462) | - | - | - | - | (854,683) | - | - | (406,212) | (2,119,357) |
| Balance, | | | | | | | | | | |
| December 31, 2008 | - | - | - | 683,757 | 1,509,878 | - | 1,387,828 | 1,607,422 | - | 5,188,885 |

Mineral interest by category

| | Bulgaria | | | Macedonia | | Serbia | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trun | Popintsi | Peroto | Kazandol | Ilovitza | Rudnitza | Ceovishte | Karavansalija | Others | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| Acquisition | 123,711 | - | - | 273,390 | 410,085 | 581,400 | 520,200 | 851,545 | 122,400 | 2,882,731 |
| Assaying and analysis | 112,380 | - | - | 4,151 | 48,165 | 7,447 | 28,440 | 38,242 | 5,245 | 244,070 |
| Drilling | 166,950 | - | - | 156,668 | 604,587 | 175,206 | 523,773 | 548,605 | 179,070 | 2,354,859 |
| Geological consulting | 351,067 | - | - | 118,349 | 233,951 | 50,600 | 161,177 | 68,906 | 59,449 | 1,043,499 |
| Geophysical contractors | | | - | - | 40,102 | - | - | - | - | 40,102 |
| Other | 104,354 | - | - | 131,199 | 172,988 | 40,030 | 154,238 | 100,124 | 40,048 | 742,981 |
| | 858,462 | - | - | 683,757 | 1,509,878 | 854,683 | 1,387,828 | 1,607,422 | 406,212 | 7,308,242 |
| Property write-off | (858,462) | - | - | - | - | (854,683) | - | - | (406,212) | (2,119,357) |
| Balance, | | | | | | | | | | |
| December 31, 2008 | - | - | - | 683,757 | 1,509,878 | - | 1,387,828 | 1,607,422 | - | 5,188,885 |

The Company is currently engaged in exploring and, if warranted, the development of two properties in Macedonia and two properties in Serbia. During 2008 the Company discontinued exploration on one property in Bulgaria and four properties in Serbia. In 2007, the Company discontinued exploration on two properties in Bulgaria.

On June 6, 2008, the Company acquired an option to acquire a 100% interest in the Karavanslija property by the payment to the vendor of US$50,000, and issuing 2,500,000 shares. In order to exercise the option the Company must complete an exploration program over 3 years including 4,400 meters of drilling at the direction of the vendor. The vendor retains a one-time only back in-right after EurOmax has completed 20,000 metres of drilling, wherein the vendor may elect to earn a 70% interest by completing a feasibility study and paying to the Company a 1% net smelter royalty (“NSR”). If the vendor does not exercise its back-in right, the Company shall pay to the vendor a 1% NSR on any production from the Karavansalija property.

On July 11, 2007, the Company acquired an option to earn a 100% interest in nine properties in Macedonia and Serbia.

## 6. Property and equipment (continued)

*Mineral properties (continued)*

Under the terms of the Macedonian agreement the Company paid US$500,000 and issued 100,000 common shares in order to acquire an option to acquire a 100% interest in the Macedonian properties. In order to exercise the option the Company must complete a US$1.5 million exploration program over 3 years. The vendor retains a one time only 90 day back in-right, whereby the vendor may elect to earn a 70% interest, after the Company has completed 10,000 metres on any property. In order to earn its interest the vendor must repay the Company twice its exploration expenditure and fund the property though completion of a final feasibility study. As of December 31, 2008, the Company has completed $1,510,160 (US$1,450,620) (2007 - $520,120 (US$484,518)) in exploration expenditures.

Under the terms of the Serbian agreement, the Company paid US$100,000 and issued 2.4 million common shares in order to acquire an option to acquire a 100% interest in the Serbian properties. In order to exercise the option EurOmax must complete a US$1.5 million exploration program over 3 years. On each of the Serbian and Macedonian properties the vendor retains a one time only 90 day back in-right, whereby the vendor may elect to earn a 70% interest, after the Company has completed 10,000 metres of drilling on any property. In order to earn its interest the vendor must repay EurOmax twice its exploration expenditure and fund the property though completion of a final feasibility study. As of December 31, 2008, the Company has completed $2,180,599 (US$2,042,416) (2007 - $355,453 (US$331,121)) in exploration expenditures.

*(a) Bulgaria*

These properties are held pursuant to an exploration licence ("Licence") issued by the government of Bulgaria. These Licences have an initial term of three years with a right to extend the term up to eight years under certain circumstances. The Company may withdraw from a Licence at any time. In the event of an economic discovery on a Licence, the Company has the right to obtain a mineral concession ("Concession"). The term for a Concession is for the necessary period to extract the mineralization discovered but generally runs from 35 to 50 years plus if necessary an extension.

The Company has on three mineral properties sold in 2006 a 4.5% net profits interest. On August 1, 2007, the Company purchased a 2.5% interest by issuing 250,000 common shares (see Note 8 (b)).

## 6. Property and equipment (continued)

*Mineral properties (continued)*

*(a) Bulgaria (continued)*

(i) Trun

The Trun Licence was granted pursuant to an agreement entered into between the Ministry and Martern dated July 7, 2004. This Licence covers an area of 90.4 square kilometres. In order to maintain this Licence in good standing Martern is required to conduct work programs agreed with the Ministry for an estimated cumulative minimum exploration of US$161,000, US$359,000 and US$529,000 at the end of the first, second and third years respectively. The Ministry extended this Licence for an additional two years during 2007. Under the terms of the extension, in order to maintain this Licence in good standing Martern is required to conduct work programs agreed with the Ministry for an estimated cost of US$1,020,000 in the first year and US$1,200,000 in the second year. On March 3, 2006, as part of a private placement with Teck Cominco Limited ("Teck Cominco") the Company entered into an option agreement with Teck Cominco. Under this agreement Teck Cominco has an option, exercisable on the first anniversary of the agreement provided EurOmax completes an initial exploration program of not less than $280,000 at Trun, to elect to earn a 55% interest in the Trun property by spending $3 million over four years. On December 20, 2008, Teck Cominco gave notice that it would not be proceeding with its option to earn an interest in the Trun Licence. Notwithstanding that this licence is in good-standing under the agreement with the Government of Bulgaria, the Company has written down its investment in this Licence as it has determined that it does not intend to conduct further exploration on this Licence.

## 6. Property and equipment (continued)

*Mineral properties (continued)*

*(a) Bulgaria (continued)*

(ii) Popintsi

The Popintsi Licence was granted pursuant to an agreement entered into between the Ministry and Martern dated August 6, 2004 (the "Popintsi Agreement"). The Licence covers an area of 97.7 square kilometres. In order to maintain this Licence in good standing Martern is required to conduct work programs agreed with the Ministry for an estimated cumulative minimum exploration of US$172,000, US$386,000 and US$551,000 at the end of the first, second and third years respectively. During 2006 and 2007, the Company was precluded from conducting drilling exploration or any other exploration due to an inability to access the Licence as a result of riots and civil unrest by the local population. The Company advised the Ministry of Environment and Water (the "Ministry"), the ministry responsible for mineral licences in Bulgaria, in August 2006 that a state of force majeure existed under the Popintsi Agreement which was entered into between the Company and the Ministry. The Ministry did not respond to the Company despite numerous requests. In April 2007, the Company advised the Ministry that it considered the Ministry's failure to respond was an agreement to the Company's declaration of force majeure. No response to the April 2007 notice has been received as of May 21, 2008. The threat of violence which caused the force majeure continued as of May 21, 2008. Notwithstanding these facts, the Ministry purportedly terminated the Popintsi Agreement at the end of the initial three year term on August 6, 2007. Subsequent to this termination, the Ministry accepted the Company's annual rent payment for the year ending August 6, 2008 which has not been returned. The Ministry has also not followed the required protocol under the Popintsi Agreement for terminating the Popintsi Licence where the agreed-to program was not completed. As a result of this purported termination by the Ministry, the Company has written off its investment in the Popintsi Licence. The Company will take all necessary steps to either reinstate the Popintsi Licence or provide EurOmax with proper compensation pursuant to the Popintsi Licence and the relevant laws of Bulgaria. on the Licence due to an inability to access the Licence. The Company took all necessary steps to protect its rights under the Popintsi Agreement and the laws of Bulgaria.

(iii) Peroto

The Peroto Licence was won by a tender presented in June 2005 to the Ministry. Pursuant to the tender process under Bulgarian law Scala entered into an agreement with the Ministry dated June 22, 2006 granting Scala the Peroto Licence. The Licence covers 6.59 square kilometres. In order to maintain this Licence in good standing Scala is required to conduct work programs agreed with the Ministry for an estimated cumulative minimum exploration of US$1,050,000, US$3,000,000 and US$10,000,000 at the end of the first, second and third years respectively. Scala entered into an agreement with Thrace Resources EOOD under which it will be responsible for drilling two holes to a maximum expenditure of US$200,000 to earn a 50% interest in the Peroto Licence. After the drilling of these two holes the Licence was terminated.

## 6. Property and equipment (continued)

*Mineral properties (continued)*

*(b) Macedonia*

These properties are held pursuant to an Exploration Permit ("Permit") granted by the Ministry of Economy. These Permits have an initial term of four years with a right to extend the term under certain circumstances. The Company may withdraw from a Permit at any time. In the event of an economic discovery on a Permit, the Company has the right to apply for a mineral concession ("Concession"). The term for a Concession is for an initial term of 30 years to extract the mineralization renewable for an additional 30 years. The mining law in Macedonia was amended in July 2008 to modernize it to be more in line with current western legislation (the "Amended Law").

(i) Ilovitza

The Ilovitza property is comprised of two Permits. The Ilovitza 4 Permit was issued on May 10, 2004 with a primary term to May 10, 2008. The work commitment under this primary term is a drilling commitment. This Permit covers 15.3 square kilometres and has an annual rental of US$5,516. The Company has applied for extension of this Permit under the prior legislation and the Amended Law. Final approval of the extension is awaited from the government of Macedonia. The Ilovitza 6 Permit, which covers 1.98 square kilometres, was issued on May 26, 2005 with a primary term to May 26, 2009. The work commitment under this Permit is drilling ten holes. This Permit has an annual rental of Macedonian Denar 715. The Company has applied for an extension of this Permit pursuant to the Amended Law. As of December 31, 2008, a total of 13 holes (2007 - 11) have been drilled on the Ilovitza Permits. As of December 31, 2008, the Company has expended $1,099,793 (US$1,058,988) (2007 - $439,110 (US$409,053) in exploration expenditures.

(ii) Kazandol

The Kazandol Permit covers 29 square kilometres. It was issued on July 3, 2005 with a primary term until July 3, 2009. The work commitment under this Permit is the drilling of 20 holes. The annual rental on this Permit is US$10,462. The Company has applied for an extension of this Permit pursuant to the Amended Law. As of December 31, 2008, a total of 5 holes (2007 - Nil) have been drilled on the Ilovitza Permits. As of December 31, 2008, the Company has expended $410,367 (US$391,632) (2007 - $81,010 (US$75,465) in exploration expenditures.

*(c) Serbia*

Under the terms of the Serbian agreement, the Company paid US$100,000 and the issued 2.4 million common shares in order to acquire an option to acquire a 100% interest in the Serbian properties. In order to exercise the option the Company must complete a US$1.5 million exploration program over 3 years. On each of the properties the vendor retains a one time only 90 day back in-right, whereby the vendor may elect to earn a 70% interest, after the Company has completed 10,000 metres on any property. In order to earn its interest the vendor must repay EurOmax twice its exploration expenditure and fund the property though completion of a final feasibility study.

## 6. Property and equipment (continued)

*Mineral properties (continued)*

*(c) Serbia (continued)*

Exploration Permits are issued under the 1996 Law on Geological Exploration by the Serbian Ministry of Energy and Mines. An Exploration Permit is valid until the end of the calendar year in which it was issued and can be extended until the end of the following calendar year by filing an annual report on the previous year's work program and a proposed work program for the current year. The Exploration Permit grants rights to explore for mineral deposits, but not to exploit a mineral deposit should a discovery be made. In case of a discovery under the terms of an Exploration Permit, the transfer of the ownership rights to an Exploitation License are regulated under paragraph 17 of the 2005 Act on the Amendments to the Mining Act of 1995.

(i) Rudnitza

The Rudnitza Exploration Permit was issued on May 6, 2004 and has been extended on annual basis since that time. The term of the Rudnitza Exploration Permits has been extended until December 31, 2009 pursuant to Serbian mining legislation. This Exploration Permit covers 10.6 square kilometres. There is no annual rental on this Exploration Permit. As of December 31, 2008, the Company has expended $273,283 (US$261,298) (2007 - $146,083 (US$136,083)) on exploration expenditures. The Company has decided to write down its investment in this Permit because it does not plan any further exploration on this Permit.

(ii) Ceovishte

The Ceovishte Exploration Permit was issued on December 7, 2005 and has been extended on an annual basis since that time. The term of the Ceovishte Exploration Permits has been extended until December 31, 2009 pursuant to Serbian mining legislation. This Exploration Permit covers 47.8 square kilometres. There is no annual rental on this Exploration Permit. As of December 31, 2008, the Company has expended $867,627 (US$789,709) (2007 - $196,255 (US$182,821) on exploration expenditures.

(iii) Others

The other Exploration Permits are the Brestovac, Duran Potock, and Kamena Gora Exploration Permits. These permits were issued on May 15, 2007; December 16, 2004 and February 21, 2007 respectively. The term of these Exploration Permits have been extended until December 31, 2008 pursuant to Serbian mining legislation. As of December 31, 2008, the Company has expended $283,812 (US$259,515) (2007- 13,115 (US$12,217)) on exploration expenditures on these Permits. The Company has decided to write down its investment in these Permits because it does not plan any further exploration on these Permits.

## 7. Investment

(a) In 2006, the Company sold three of its mineral properties to International Resource Holding Limited (formerly Balkans Gold Limited) ("IRH") listed on the Australian stock exchange. A portion of the consideration was nine million shares of IRH valued at $769,878 at the time of issue. These shares are classified as available-for-sale. As at December 31, 2008, these shares had a fair value of $76,014 (2007 - $1,084,860). The Company recorded an other than temporary impairment charge of $693,864 (2007 - $Nil) in operations in 2008.

(b) In 2007, as a shareholder of IRH the Company exercised its right to acquire 4.5 million options to purchase shares in IRH for $42,115. These stock options held are classified as held-for-trading. At December 31, 2008, stock options held were valued at $4,058 (2007- $154,980), and a loss of $150,922 was recognized in operations in 2008 (2007 - gain of $112,865).

(c) As part of the sale in 2006, the Company continued to perform services for IRH on the three properties sold. In 2008, IRH was unable to pay the Company for these operations. On December 10, 2008, IRH issued a convertible note for the amount of the outstanding receivable in the amount of $286,894. The convertible note has an interest rate of 10%. The Company can demand repayment of the principal and accrued interest at any time from December 10, 2009 until its maturity on December 10, 2010. The note is convertible into shares of IRH at a price of A$0.05 per share at any time prior to its maturity. At the issue date, the Company ascribed a value to the conversion feature of the note receivable of $35,380 using the Black-Scholes model with the following assumptions: a risk-free rate of 3.3%; expected life of 2.0 years; expected volatility of 104%; and no dividend yield. The value of the conversion feature did not change from the date of issue to December 31, 2008. At December 31, 2008, $125,757 of the note is included in accounts receivable and the remaining amount of $125,757 is classified as a non-current note receivable as this portion of the note will be exchanged as consideration for the shares of Thrace Resources EOOD (Note 16 (b)).

## 8. Share capital

*(a) Authorized*

Unlimited common voting shares

*(b)* On July 11, 2007, the Company purchased an option to acquire a 100% interest (see Note 6) in nine mineral properties in Serbia and Macedonia. As part of the consideration for this option the Company issued 2,500,000 common shares at a price of $0.51 or $1,275,000.

On July 30, 2007, the Company purchased a 2.5% net profits interest (see Note 6) on all of the mineral properties in Bulgaria it currently held or had held at any time until that date by issuing 250,000 common shares at a price of $0.64 per share or $160,000.

On June 6, 2008, the Company purchased an option to acquire a 100% interest (see Note 6) in the Karavansalija mineral property in Macedonia. As part of the consideration for this option the Company issued 2,500,000 common shares at a price of $0.32 or $800,000.

## 8. Share capital (continued)

*(b) (continued)*

Pursuant to a private placement which closed on August 20, 2008, the Company raised gross proceeds of $750,000 through the sale of 1,500,000 units at $0.50 per unit. The total issue costs associated with this private placement was $8,250 resulting in net proceeds to the Company of $741,750. Each unit consists of one common share and one half warrant. Each warrant is non transferable entitles the holder to purchase one common share at a price of $0.60 until August 20, 2010.

The Company ascribed a value, on a relative fair value basis, of $170,522 to the warrants issued as part of the private placements using the Black-Scholes model with the following assumptions: a risk free rate of 2.75%, expected life of 2.0 years, expected volatility of 150%, and no dividend yield.

Pursuant to a private placement which closed on December 31, 2008, the Company raised gross proceeds of $485,000 through the sale of 4,850,000 units at $0.10 per unit. The total issue costs associated with this private placement was $8,182 resulting in net proceeds to the Company of $481,835. Each unit consists of one common share and one warrant. Each warrant is non transferable and entitles the holder to purchase one common share at a price of $0.15 until December 31, 2009 or $0.20 from January 1, 2010 until December 31, 2010.

The Company ascribed a value, on a relative fair value basis, of $169,746 to the warrants issued as part of the private placements using the Black-Scholes model with the following assumptions: a risk free rate of 1.09%, expected life of 2 years, expected volatility of 150%, and no dividend yield.

*(c)* The Company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The maximum number of shares reserved for issuance upon exercise of all options granted under the plan is equal to 10% of the then issued and outstanding common shares. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and are vested as to one third at the date of grant, one third after six months and one third after 18 months from the date of grant. The exercise price of each option equals the market value of the Company's common shares on the date of grant.

**8. Share capital (continued)**

*(c) (continued)*

A summary of the status of the Company's stock option plan as at December 31, 2008 and 2007 and changes during the years then ended are as follows:

| | Number of options | Weighted average exercise price per share |
|---|---|---|
| | | $ |
| Balance, December 31, 2006 | 2,920,000 | 0.20 |
| Options granted | 1,245,000 | 0.72 |
| Options exercised | (1,273,332) | 0.10 |
| Options forfeited | (21,668) | 0.53 |
| Balance, December 31, 2007 | 2,870,000 | 0.46 |
| Options granted | 1,122,500 | 0.32 |
| Options exercised | (700,000) | 0.10 |
| Options forfeited | (285,000) | 0.40 |
| Balance, December 31, 2008 | 3,007,500 | 0.50 |

The weighted average remaining term of the stock options as at December 31, 2008 is 3.24 years.

| Stock options outstanding | | | Options exercisable | |
|---|---|---|---|---|
| Number of stock options outstanding | Weighted average exercise price | Weighted average remaining contractual life (months) | Number of stock options outstanding | Weighted average exercise price |
| | $ | | | $ |
| 50,000 | 0.23 | 1.87 | 50,000 | 0.23 |
| 10,000 | 0.26 | 7.07 | 10,000 | 0.26 |
| 150,000 | 0.32 | 13.12 | 112,500 | 0.32 |
| 20,000 | 0.22 | 16.67 | 20,000 | 0.22 |
| 80,000 | 0.36 | 29.19 | 80,000 | 0.36 |
| 40,000 | 0.36 | 30.35 | 40,000 | 0.36 |
| 675,000 | 0.42 | 31.69 | 675,000 | 0.42 |
| 990,000 | 0.72 | 41.36 | 990,000 | 0.72 |
| 195,000 | 0.72 | 42.38 | 130,000 | 0.72 |
| 612,500 | 0.32 | 49.12 | 408,333 | 0.32 |
| 185,000 | 0.32 | 55.20 | 61,667 | 0.32 |
| 3,007,500 | 0.50 | 38.87 | 2,577,500 | 0.52 |

## 8. Share capital (continued)

### *(d) Share purchase warrants*

| Number of warrants outstanding as at January 1, 2008 | Issued during the year | Number of warrants expired/ exercised during the year | Balance of warrants outstanding as at December 31, 2008 | Exercise price per warrant | Expiry date |
|---|---|---|---|---|---|
| | | | | $ | |
| 1,365,000 | - | 1,365,000 | - | - | |
| - | 750,000 | | 750,000 | 0.60 | August 20, 2010 |
| - | 4,850,000 | - | 4,850,000 | 0.15 | December 31, 2010 |
| 1,365,000 | 5,600,000 | 1,365,000 | 5,600,000 | | |

| Number of warrants outstanding as at January 1, 2007 | Issued during the year | Number of warrants expired/ exercised during the year | Balance of warrants outstanding as at December 31, 2007 | Exercise price per warrant | Expiry date |
|---|---|---|---|---|---|
| | | | | $ | |
| 2,800,000 | - | 2,800,000 | - | - | |
| 1,365,000 | - | - | 1,365,000 | 0.60 | September 10, 2008 |
| 4,165,000 | - | 2,800,000 | 1,365,000 | | |

### *(e) Stock-based compensation*

The estimated fair value of the options granted were calculated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

| | **2008** | 2007 |
|---|---|---|
| Weighted average risk-free interest rate | **3.23%** | 4.67% |
| Expected life of options (years) | **3.3** | 3.5 |
| Expected volatility of each option granted | **125%** | 140% |
| Dividend yield per share | **Nil** | Nil |

The weighted average fair value of the stock options granted during the year is $0.23 (2007 - $0.56).

## 9. Income taxes

(a) Significant components of the Company's future tax assets include the following:

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Tax values in excess of net book value of property and equipment | **172,728** | 1,014,223 |
| Asset retirement obligations | **-** | 3,638 |
| Financing fees | **6,042** | 11,817 |
| Non-capital loss carryforwards | **549,000** | 609,068 |
| Capital loss carryforwards | **91,992** | 92,268 |
| Attributed royalty income deduction carryforward | **-** | 54,742 |
| Valuation allowance | **(819,762)** | (1,785,756) |
| | **-** | - |

(b) Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 31.00% (2007 - 33.25%) to net loss as follows:

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Expected income tax recovery | **(1,359,502)** | (445,229) |
| Change resulting from | | |
| Stock-based compensation | **141,201** | 179,516 |
| Differences in tax rates between Canada and foreign jurisdictions | **758,435** | (34,413) |
| Future income tax recovery not recorded | **538,084** | 308,245 |
| Other | **(78,218)** | (8,119) |
| | **-** | - |

## 9. Income taxes (continued)

(c) At December 31, 2008, the Company has non-capital operating losses of approximately $720,000 (2007 - $265,000) and net capital losses of approximately $708,000 (2007 - $708,000) in Canada for which no benefit has been recognized in the consolidated financial statements. The capital losses are without expiry and the operating losses expire as follows:

| | $ |
|---|---|
| 2025 | 129,000 |
| 2027 | 136,000 |
| 2028 | 455,000 |
| | 720,000 |

At December 31, 2008, the Company has losses of Bulgarian Lev ("BGN") 2,551,000 (2007 - BGN 1,203,000). These losses expire as follows:

| | BGN |
|---|---|
| 2010 | 41,000 |
| 2011 | 237,000 |
| 2012 | 248,000 |
| 2013 | 677,000 |
| 2014 | 1,348,000 |
| | 2,551,000 |

## 10. Commitments and contingencies

(a) The Company has no future commitments. At December 31, 2008, the Company had no forward commodity contracts in place.

(b) On April 3, 2008, Daylight Energy Ltd. ("Daylight') filed a Statement of Claims in the Court of Queen's Bench of Alberta alleging that the Company had been overpaid $196,000 in royalties from one of its oil and gas wells. The Company denies this allegation. It has filed a Statement of Defense and Counterclaim alleging the breach of the original farm-out agreement contract by Daylight. Examinations for discovery are scheduled for the second quarter of 2009, but no trial date has been set. It is too early to predict the outcome of this proceeding.

## 11. Related party transactions

During the year ended December 31, 2008, the Company paid or accrued management and consulting fees in the amount of $221,000 (2007 - $211,000) to current and former directors or companies controlled by current and former directors. Of these amounts $54,306 (2007 - $23,717) is included in accounts payable and accrued liabilities at year end. Management and consulting fees have been recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties based on standard commercial terms.

## 12. Segment information

The Company's reportable operating segments consist of a unit that operates in petroleum and natural gas activities in Canada and a unit that operates in mining activities in Bulgaria, Serbia and Macedonia.

*(a) Business segments*

| | | | **2008** |
|---|---|---|---|
| | **Corporate** | **Mining** | **Total** |
| | **$** | **$** | **$** |
| Other | **(16,280)** | **-** | **(16,280)** |
| General and administrative expenses | **515,939** | **303,615** | **819,554** |
| General exploration | **-** | **39,879** | **39,879** |
| Bad debt expense | **40,900** | **25,643** | **66,543** |
| Foreign exchange loss | **(850)** | **15,522** | **14,672** |
| Stock-based compensation | **455,488** | **-** | **455,488** |
| Depletion, depreciation and accretion | **-** | **41,492** | **41,492** |
| Write-down of property, plant and equipment | **-** | **2,119,357** | **2,119,357** |
| Loss on stock options held | **150,922** | | **150,922** |
| Write-down of investment | **693,864** | **-** | **693,864** |
| Net loss from continuing operations | **1,839,983** | **2,545,508** | **4,385,491** |
| Net income from discontinued operations | **-** | **-** | **(231,431)** |
| Net loss | **1,839,983** | **2,545,508** | **4,154,060** |
| Capital expenditures | **-** | **3,678,525** | **3,678,525** |
| Total assets of continuing operations | **351,634** | **5,912,514** | **6,264,148** |

| | | | 2007 |
|---|---|---|---|
| | Corporate | Mining | Total |
| | $ | $ | $ |
| Other | (96,324) | (8,618) | (104,942) |
| General and administrative expenses | 496,545 | 200,402 | 696,947 |
| Foreign exchange loss | 92 | (23,593) | (23,501) |
| Stock-based compensation | 539,931 | - | 539,931 |
| Depletion, depreciation and accretion | 205 | 40,302 | 40,507 |
| Write-down of property, plant and equipment | - | 491,863 | 491,863 |
| Gain on stock options held | (112,865) | - | (112,865) |
| Disposal of assets | - | 7,238 | 7,238 |
| Net loss from continuing operations | 827,584 | 707,594 | 1,535,178 |
| Net income from discontinued operations | - | - | (196,144) |
| Net loss | 827,584 | 707,594 | 1,339,034 |
| Capital expenditures | - | 3,027,185 | 3,027,185 |
| Total assets of continuing operations | 2,570,969 | 4,989,139 | 7,560,108 |

## 12. Segment information (continued)

*(b) Geographic segments*

For both 2008 and 2007, all revenues were earned from the production of petroleum and natural gas in Canada. The details of property and equipment by country has been disclosed in Note 6.

## 13. Net change in non-cash operating working capital

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Decrease (increase) in accounts receivable, prepaids and deposits, derivative on convertible note, and note receivable | **260,755** | (382,107) |
| Increase in accounts payable and accrued liabilities | **470,276** | 148,860 |
| | **731,031** | (233,247) |

## 14. Financial risk management

The fair values of the Company's accounts receivable and accounts payable approximate their carrying values due to the short-term nature of these instruments.

The Company's financial instruments are exposed to certain financial risks, including market risk with respect to currency risk, interest risk, credit risk, liquidity risk, stock market risk and commodity price risk.

*(a) Currency risk*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Bulgaria, Canada, Macedonia, and Serbia. Its functional currency is the Canadian dollar. The Bulgarian leva is fixed to the Euro as part of its entry into the European Union. Most of the Company's costs in Macedonia and Serbia are denominated in either United States dollars or Euros. During the last year the Macedonia denar has fluctuated by three percent from its current Euro exchange rate and the Serbian dinar has fluctuated approximately five percent from its current Euro exchange rate. Consequently the Macedonian dinar and the Serbian dinar, although not fixed to the Euro, are closely associated to it. The Company's investments and stock options held trade on the Australian Stock Exchange and are traded in Australian dollars. A significant change in the currency exchange rates between the Canadian dollar and the Euro could have a material effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As of December 31, 2008, the Company is exposed to currency risk through assets and liabilities denominated in Canadian dollars, Bulgarian leva, Serbian dinar, Macedonian denar, United States and Australian dollars.

## 14. Financial risk management (continued)

*(a) Currency risk (continued)*

| | United States dollars | Macedonian denar | Bulgarian leva | Australian dollars |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash and cash equivalents | 10,196 | - | 81,623 | - |
| Accounts receivable | - | 60,035 | 186,455 | 286,895 |
| Prepaid expenses | - | - | 530 | - |
| Stock option held | - | - | - | 4,058 |
| Investments | - | - | - | 76,014 |
| Accounts payable and accrued liabilities | (302,674) | - | (279,654) | - |
| As stated in Canadian dollars | (292,476) | 60,035 | (11,046) | 366,967 |

Based on the above net exposures as of December 31, 2008 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the United States dollar, Macedonian denar, Bulgarian leva and Australian dollar against the Canadian dollar would result in an increase/decrease of approximately $13,000 (for an increase a $29,000 decrease for the United States dollar, a $6,000 increase for the Macedonian denar  a $1,000 decrease for the Bulgarian leva and a $37,000 increase for the Australian dollar) in the Company's net loss.

*(b) Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short-term bank deposits are held in large Canadian financial institutions and large European international financial institutions. Short-term bank deposits are composed of financial instruments issued by Canadian banks are not subject to external restrictions. These investments mature at various dates. The Company's accounts receivable consists primarily of receivables from international mining companies that the Company provides services by operating their projects in Bulgaria. The Company's maximum credit exposure was $870,148 at December 31, 2008.

*(c) Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage in Note 15.

Accounts payable and accrued liabilities are generally payable within ninety days or less.

*(d) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although held for trading, are generally held to maturity.

## 14. Financial risk management (continued)

(e) *Commodity price risk*

The ability of the company to develop its mineral properties and the future profitability of the Company are directly related to the market price of copper and gold. These commodities are priced in United States dollars but the cost of operation will be denominated in Bulgarian leva, Macedonian denar or Serbian dinar depending on the location of any economic resources discovered.

## 15. Capital risk management

The Company includes as capital its common shares, and contributed surplus. The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. As the Company has minimal cash flow from operations, to maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, results from the exploration of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects it may need additional capital resources in order to carry out an optimal exploration plan and operations through its current fiscal year. Any new capital resources may be provided by the attempted sale of investments or the issue of new shares.

## 16. Subsequent events

(a) On February 20, 2009, the Company executed a letter of intent to enter into a business combination with Silk Road Resources Ltd. ("Silk Road") by way of a court approved plan of arrangement. Pursuant to the letter of intent the Company will issue 2.25 common shares of the Company for each common share of Silk Road. The acquisition is subject to court approval, shareholder approval of both companies and all necessary regulatory approvals.

(b) On March 16, 2009, the Company entered into an agreement to purchase all of the outstanding shares of Thrace Resources EOOD ("Thrace") from IRH Thrace. This agreement is subject to all necessary regulatory approval, including approval of the IRH shareholders. Thrace holds the Bulgarian properties sold to IRH in 2006. The consideration to be paid by the Company is the cancellation of one-half of the convertible note issued by IRH to the Company on December 10, 2008 (Note 7).

# Corporate Information

## Directors

John Menzies – Chairman & CEO
Christopher Serin – Chief Financial Officer
Michael Mason[1,2]
Darren Steffes[1,2]
Robert Waymouth[1,2]

*(1) Member of the Audit Committee*
*(2) Member of the Compensation Committee*

## Officers and Management

John Menzies – Chairman & CEO
Christopher A. Serin – Chief Financial Officer

## Banker

Bank of Montreal, Vancouver
ING Bank, Sofia, Bulgaria

## Auditor

Deloitte & Touche LLP
Vancouver, British Columbia

## Legal Counsel

Lawson Lundell
Vancouver & Calgary

## Registrar & Transfer Agent

Pacific Corporate Trust Company

## Stock Exchange

TSX Venture Exchange

## Stock Symbol

EOX

## Shares Outstanding

56,772,487

## Investor Contacts

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