MANAGEMENT’S DISCUSSION & ANALYSIS

For the year ended December 31, 2018

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of Euromax Resources Ltd. ("Euromax" or the "Company") and its subsidiary companies (collectively, the "Group") is prepared as of March 29, 2019 and should be read in conjunction with the Group's audited consolidated financial statements and related notes for the years ended December 31, 2018 and 2017 ("FY18" and "FY17", respectively) ("consolidated financial statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (the "IASB"). The accounting policies applied are consistent with those adopted and disclosed in the previous reporting periods. The Group's functional and reporting currency is the Canadian dollar and all figures in this MD&A are in Canadian dollars unless otherwise indicated.

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

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

CORPORATE STRATEGY

The Group's ambition is to become the leading gold, copper and base metal mining company in Europe.

In addition, we will strive to set the standard for developing mines in Europe by using best industry practices at our operations and implementing the highest standard for environmental management and managing health and safety in the work place.

The Group's mission is to bring an Ilovica-Shtuka copper project (the "Ilovica-Shtuka Project") in the Republic of North Macedonia ("Macedonia") into production within two years (once permitting and construction funding has been arranged) and grow the value of our business by maximising the potential of the Ilovica-Shtuka Project as our flagship asset. Delivery of value for our shareholders is key and we intend to pursue a suite of financing alternatives such that we may grow our business without diminishing value for shareholders.

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

Our Business during FY18

During FY18 the Group operates in only one sector, exploration and development of mineral right interests. The Group's wholly owned Macedonian subsidiary, Euromax Resources DOO Skopje, holds two 30-years exploitation concessions for the Ilovica-Shtuka Project in Macedonia, and the Group has plans to bring it into construction and ultimately commercial production.

In FY17 the Group disposed of its second operating sector, provision of exploration and evaluation services to third parties. Upon disposal of this operating sector the Group has not generated further revenue. For further information see Notes 6 and 7 of the consolidated financial statements.

FY18 HIGHLIGHTS

Non-brokered private placement

April 2018 Private Placement

On April 12, 2018 the Company closed a non-brokered private placement (the "April 2018 Private Placement") with Galena Resource Equities Limited ("Galena") by issuing 29 million units ("2018 Units") for gross proceeds of $5.2 million, whereby one 2018 Unit consist of (i) one common share issued at a price of $0.18 and (ii) one share purchase warrant exercisable at a price of $0.23 at any time before April 12, 2020.

In connection with the April 2018 Private Placement, the Company entered into:

- an Ancillary Right Agreement, which provides Galena right to nominate two members of the Company's board of directors ("Board") until such time as Galena no longer holds greater than 10% of the Company's common shares;
- an off-take agreement with Trafigura Pte. Ltd. ("Trafigura"), according which 20% of the future produced copper concentrate from the Ilovica-Shtuka Project will be sold to Trafigura.

FY18 HIGHLIGHTS – CONTINUED

Non-brokered private placement - continued

March 2019 Private Placement

Subsequent to the year end, on March 22, 2019 the Company announced closing a non-brokered private placement (the "March 2019 Private Placement") to one of its current major shareholders, Galena, by issuing 147,008,640 units ("2019 Units") for gross proceeds of $9.2 million, whereby one 2019 Unit consist of (i) one common share issued at a price of $0.0625 and (ii) one share purchase warrant exercisable at a price of $0.15 at any time for a period of two years following the closing of the March 2019 Private Placement. These proceeds would be used for the development of the Ilovica-Shtuka Project, as well as for covering of general corporate services.

Further, the Company issued additional 17,641,037 Units from 2019 to other existing shareholders (the "Concurrent Offering", and together with the March 2019 Private Placement, representing the "Transaction") for gross proceeds of $1.1 million, so as to provide additional funding for the Group.

In connection with the closing of the March 2019 Private Placement, the Company and Galena:

- Amended the existing Ancillary Right Agreement, dated April 10, 2018, to provide Galena with the right to nominate two additional members of the Board, i.e. Galena would have the right to nominate four directors, until such time as Galena (collectively with its affiliates) no longer holds greater than 20% of the Company's common shares (calculated on a fully diluted basis). If Galena (collectively with its affiliates) holds between 10% and 20% of the Company's common shares (calculated on a fully diluted basis), Galena can only nominate two directors of the Board. The Ancillary Rights Agreement provides that the Board shall consist of eight directors should Galena hold less than 55% of the Company's common shares (calculated on a fully diluted basis). In the event that Galena (collectively with its affiliates) holds greater than 55% of the Company's common shares (calculated on a fully diluted basis), Galena will have the right to nominate an additional director to the Board, or five directors in total, whereby in that case the number of the Board's members will be increased to nine directors.
- Signed additional off-take agreement with Trafigura according to which the remaining 80% of the future produced copper concentrate from the Ilovica-Shtuka Project will be sold to Trafigura.

In addition, in connection with the Revised Private Placement, Galena shall be provided with a right of first refusal to participate in any proposed equity-linked financing in an amount up to 60% of such financing subject only to participation rights held by the European Bank for Reconstruction and Development ("EBRD") and CC Ilovitza ("CCI" a member of the CCC Group).

Closing of the Transaction, including implementation of the amendments of convertible loans (as explained below in sub-section "Amendments on convertible loans"), is subject to the satisfaction of various conditions, including the waiver of certain rights held by existing shareholders of the Company and the receipt of all necessary corporate and regulatory approvals, including approval of the Macedonian Commission for Competition (the "Macedonia Competition Approval") and the final approval of the TSX.

Considering the serious financial difficulty of the Group, resulting from permitting delays for the Ilovica-Shtuka Project over the last 24 months, the Company has applied for an exemption from the shareholder approval requirements of the TSX, on the basis of financial hardship. Given that the Group is facing with serious financial difficulties, with limited alternatives and the immediacy of the Group's need to address its financial obligations through the Transaction, does not afford it sufficient time to hold a special shareholders' meeting.

Following to application of the Group's financial hardship, the TSX placed Euromax under remedial delisting review, which is normal practice when a listed issuer seeks to rely on the financial hardship exemption. No assurance can be provided as to the outcome of such review and therefore, continued qualification for listing on the TSX.

In light of the Company's financial condition, Galena has agreed to issue an unsecured promissory note in the amount of USD$1 million (the "Promissory Note") to the Company in order to provide it with the interim working capital required to fund its operations until such time as the conditions of closing the March 2019 Private Placement have been satisfied. Upon completion of the March 2019 Private Placement, funds owing pursuant to the Promissory Note will be set-off against the proceeds of the March 2019 Private Placement.

The securities issued pursuant to the Transaction will be subject to a four month hold period from the date of closing in accordance with applicable Canadian securities laws.]

FY18 HIGHLIGHTS – CONTINUED

Amendments on convertible loans

On April 12, 2018 convertible loans provided from EBRD (the "EBRD convertible loan") and CCI (the "CCI convertible loan") were amended, as disclosed below.

Conditions of the EBRD convertible loan that were amended (the "2018 Amendment of the EBRD convertible loan") are as follows:

- The EBRD convertible loan matures on December 31, 2018, extended from April 30, 2018, or earlier, upon an equity financing of at least US$50 million ("Maturity").
- Conversion price of the received proceeds of US$5 million (the "Principal Amount") has been reduced from $0.40 to $0.23 per common share.
- Interest (the "Interest on Extension") would be accrued from May 1, 2018 to December 31, 2018 at a rate of 20% per annum, compounded annually, on collectively (i) the Principal Amount, (ii) an amount of US$1.42 million (the "Redemption Amount"), (iii) a finance delay fee of US$0.15 million (the "Fee") and (iv) a finance delay interest (the "Interest") accrued from January 1, 2017 to April 30, 2018 on the Principal Amount at the rate of 3 months LIBOR plus 7% per annum.

Conditions of the CCI convertible loan that were amended (the "2018 Amendment of the CCI convertible loan") are as follows:

- Maturity of the CCI convertible loan has been extended to December 31, 2018, from April 30, 2018.
- Conversion price of the received proceeds of $5.2 million has been reduced from $0.40 to $0.23 per common share.
- The fixed interest rate has been increased to 20% per annum, compounded annually, which has applied retrospectively from May 20, 2016 (changed from interest rate of 9% per annum, compounded daily).

Subsequently to the year ended December 31, 2018, both convertible loans have been extended to May 10, 2019.

Subject to closing of the March 2019 Private Placement, following amendments will be in place:

- Maturity date of both convertible loans will be extended to February 28, 2021;
- Annual fixed interest of 20% will be reduced to 7% applied both for the EBRD (the Interest on Extension) and CCI convertible loan;
- Conversion price will be set at $0.15 per common share for all
    - the Principle Amount, the Redemption Amount, the Fee, the Interest and the Interest on Extension for the EBRD convertible loan; and
    - received proceeds of $5.2 million and related interest for the CCI convertible loan.
- To waive any pre-emptive or participation rights that EBRD and CCC may have with respect to the March 2019 Private Placement.

Board restructure

Following the April 2018 Private Placement, Galena implemented its right to nominate two members of the Board, and James Burke and Tzolo Voutov have been appointed as Company's directors at the Company's Annual General Meeting.

On November 14, 2018, Euromax announced a Board restructure, whereby Tim Morgan-Wynne, previously a Non-Executive Director, became the Non-Executive Chairman of Euromax, while Martyn Konig, the former Executive Chairman, will continue to serve as a Non-Executive Director of Euromax.

Corporate Update

Following the April 2018 Private Placement, the Group's management completed a cost cutting programme. This has included a reduction of staff by approximately 70% and the closure of two offices. The resulting monthly expenditure has almost halved as a consequence, however key personnel have been retained to ensure that the Group can continue all required permitting, finance and technical activities for successful implementation of the Ilovica-Shtuka Project.

PROJECTS

This section outlines the exploration activities carried out in the year ended December 31, 2018. Patrick Forward, Chief Operating Officer, is the Qualified Person responsible for the review of the technical information contained in this section of the Group's MD&A.

Ilovica-Shtuka Project – Macedonia

During FY18 project development activities were focused on the stakeholder engagement, whereby a Public Liaison Committee (a body made up of key representatives from local communities) was re-established up, and a campaign of press interviews organised, including live debates with non-governmental organisations ("NGO's"), which have improved the local community's understanding of the Ilovica-Shtuka Project's potential and its socio-economic benefits.

Engagement with the local and national authorities in Macedonia has also been a priority. Following a period of political uncertainty between the resignation of Government in 2016 to the formation of a new Government in 2017, active talks with the new Administration were undertaken. This included a stakeholder meeting instigated and chaired by the Macedonian Prime Minister Zoran Zaev on July 20, 2018, which was attended by the Secretary of State from the Ministry of Environment and Physical Planning, the Minister and Deputy Minister of Economy, local mayors, community leaders, independent experts, NGOs, representatives from the EBRD and the Canadian Embassy as well as the Group representatives.

During the last year, the Macedonian Government agenda was pre-occupied with the implementation of the Prespa Agreement with Greece, whereby a change in the country's name to the Republic of North Macedonia would result in the removal of Greece's veto to NATO entry and allow the commencement of EU accession talks. Following to the closing of the process for implementation of the Prespa Agreement by the Macedonian Parliament, as well as the ratification by the Greek Parliament, on February 6, 2019, the Republic of North Macedonia started the formal process for its membership of NATO.

The Company is confident that once the Prespa Agreement ratification is completed then permitting progress on the Ilovica-Shtuka Project can continue. The two permitting documents awaiting final Government approval are the merger of the two concessions that comprise the Ilovica-Shtuka Project and the approval of the Environmental Impact Assessment Study.

The next steps in the technical development of the Ilovica-Shtuka Project are focussed on the optimisation of capital and include:

- Inclusion of contract mining as per the announcement of a tendering process in February 2017. This will include the incorporation of more detailed geotechnical information, further de-risking the mine plan.
- Finalisation of an improved layout for the plant and main infrastructure that will result in a reduction of earth moving and bulk material quantities.

Work is expected to commence in the first half of 2019 and to be concluded by year-end 2019.

SELECTED ANNUAL FINANCIAL INFORMATION

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

Years Ended December 31,	2018	2017	2016
	$000s	$000s	$000s
(Loss)/profit from continuing operations attributible to the Owners of the Company	(9,251)	3,258	(18,916)
(Loss)/earnings per common share - Continuing operations:			
Basic (loss)/earnings per share	(0.06)	0.02	(0.16)
Diluted (loss)/earnings per share	(0.06)	0.00	(0.16)
(Loss)/profit for the year attributible to the Owners of the Company	(9,251)	2,852	(18,533)
(Loss)/earnings per common share:			
Basic (loss)/earnings per share	(0.06)	0.02	(0.16)
Diluted (loss)/earnings per share	(0.06)	0.00	(0.16)

As at December 31,	2018	2017	2016
	$000s	$000s	$000s
Net working capital deficiency	(35,323)	(31,499)	(24,455)
Unproven mineral right interests	39,918	38,149	34,464
Total assets	41,245	39,538	36,926
Total non-current financial liabilities	-	-	15,738

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

SELECTED ANNUAL FINANCIAL INFORMATION – CONTINUED

The net working capital deficiencies largely results from following items classified as current liabilities at December 31, 2018, 2017 and 2016:

- Gold purchase advance payments received under the Gold Purchase and Sale Agreement ("GPSA") with Royal Gold, AG ("Royal Gold") (2018: $15.338 million, 2017: $14.119 million, 2016: $15.150 million);
- EBRD and CCI convertible loans (2018: $19.584 million , 2017: $13.883 million, 2016: both loans classified as non-current); and
- Share-based payment liabilities (2018: $0.577 million; 2017: $2.559 million; 2016: $8.659 million).

The non-current financial liabilities at December 31, 2016 represented both the EBRD and the CCI convertible loans.

SUMMARY OF QUARTERLY RESULTS (Unaudited)

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

Quarter ended	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
(Loss)/profit from continuing operations attributable to the Owners of the Company								
Net (loss)/profit after tax	(1,961)	(1,007)	(3,273)	(3,010)	(1,212)	1,554	(784)	3,700
Basic (loss)/earnings per share	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	0.01	(0.01)	0.03
Diluted (loss)/earnings per share	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	0.00	(0.01)	0.02
(Loss)/profit for the period attributable to the Owners of the Company								
Net (loss)/profit after tax	(1,961)	(1,007)	(3,273)	(3,010)	(1,212)	1,554	(1,107)	3,617
Basic (loss)/earnings per share	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	0.01	(0.01)	0.03
Diluted (loss)/earnings per share	(0.01)	(0.01)	(0.02)	(0.02)	(0.00)	0.00	(0.01)	0.01

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

The Group's primary focus is the exploration and development of mineral right interests and its principal project is the Ilovica-Shtuka Project. The Ilovica-Shtuka Project is not in production and therefore the Group has incurred losses and will continue to incur losses until the Ilovica-Shtuka Project is brought into commercial production.

Apart from the Group's regular operational activities that are relatively constant on a period by period basis, net (loss)/profit has been influenced by fluctuations in:

- the Company's common share price, which is a key assumption in fair valuing of (1) share-based payment liabilities and (2) fair value of the EBRD convertible loan; and
- foreign currency exchange rates.

In addition, the following one-off items were included in net (loss)/ profit in respective quarters:

- in the quarter ended June 30, 2017 ("Q2-2017"), the loss on disposal of the Group's Bulgarian subsidiary (Euromax Exploration Services EOOD or "EES") was recognised in profit or loss; and
- fair value loss on modification on the CCI convertible loan resulting from the 2018 Amendment of the CCI convertible loan (as explained "HY18 Highlights" section) was accrued in the quarter ended June 30, 2018 ("Q2-2018").

RESULTS OF OPERATIONS

KEY POINTS

- *FY18 operating loss of $4.390 million (FY17: operating profit of $2.100 million)*
- *FY18 operating cash costs[1] (operating (loss)/profit excluding depreciation, amortisation, share-based payments and unrealised foreign exchange (loss)/gain) decreased to $3.486 million (FY17:restated loss of $4.542 million)*
- *FY18 loss after tax from continuing operations of $9.251 million (FY17: profit of $3.258 million)*
- *The loss after tax from continuing operations for the quarter ended December 31, 2018 ("Q4-2018") of $1.961 million (the quarter ended December 31, 2017 ("Q4-2017"): $1.212 million)*

[1] Non-GAAP Measure. Please refer to page 11 for further details.

RESULTS OF OPERATIONS – CONTINUED

	Quarter ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
in thousands $	**(Unaudited)**	(Unaudited)		
Continuing operations				
Operating expenses				
Accounting, legal and professional	**(232)**	(292)	**(569)**	(605)
Depreciation	**(27)**	(41)	**(129)**	(162)
Amortisation	**(1)**	(1)	**(3)**	(3)
Office and general	**(76)**	(67)	**(257)**	(305)
Regulatory, filing and transfer agent	**(7)**	(42)	**(41)**	(120)
Rent	**(23)**	(83)	**(202)**	(319)
Salaries, director and consultant fees	**(322)**	(671)	**(2,019)**	(2,633)
Share-based payments recovery	**394**	624	**713**	4,326
Investor and public relations	**(56)**	(27)	**(255)**	(198)
Travel	**(24)**	(31)	**(101)**	(228)
Exploration and evaluation costs	**-**	5	**(2)**	(93)
(Loss)/gain on foreign exchange	**(688)**	191	**(1,525)**	2,440
Operating (loss)/profit	**(1,062)**	(435)	**(4,390)**	2,100
Finance expense	**(873)**	(693)	**(2,933)**	(2,808)
Fair value loss on modification of financial liabilities	**-**	-	**(1,568)**	-
Fair value (loss)/gain on financial liabilities	**(23)**	(75)	**(380)**	3,985
Net finance (loss)/income	**(896)**	(768)	**(4,881)**	1,177
Other income	**(2)**	-	**27**	5
(Loss)/profit from continuing operations before tax	**(1,960)**	(1,203)	**(9,244)**	3,282
Income tax expense	**(1)**	(9)	**(7)**	(24)
(Loss)/profit from continuing operations	**(1,961)**	(1,212)	**(9,251)**	3,258
Discontinued operation				
Loss from discontinued operation, net of tax	**-**	-	**-**	(406)
(Loss)/profit for the year	**(1,961)**	(1,212)	**(9,251)**	2,852

DETAILED ANALYSIS OF THE YEAR ENDED DECEMBER 31, 2018 COMPARED TO YEAR ENDED DECEMBER 31, 2018

The Group recorded a net loss after tax from continuing operations of $9.251 million or $0.06 loss per share in FY18, compared to a net profit of $3.258 million or $0.02 basic earnings per share in FY17.

The FY18 loss compared to the FY17 profit was mainly due to the following:

- An unfavourable movement of the EBRD convertible loan's fair value in FY18 compared to FY17, produced a fair value loss of $0.380 million in FY18, compared to a fair value gain of $3.985 million for FY17. The fair value loss for FY18 is mainly caused because of the reduction of conversion price of the Principal Amount (as explained in "FY18 Highlights" section above), which has significantly increased the conversion premium, while the gain for FY17 was driven by the Company's common share price falling during FY17. As disclosed in Note 13(b) of the consolidated financial statements, the fair value adjustment is principally driven by the Company's common share price movement, since that has substantial impact on the conversion premium and therefore on fair value adjustment of the EBRD convertible loan.
- The modification of the CCI convertible loan, according to the 2018 Amendment of the CCI convertible loan (see "HY18 Highlights" section above), resulting in a fair value loss on modification of $1.568 million recognised in FY18, which did not occurred in FY17.
- The recognised loss on foreign exchange of $1.525 million in FY18 compared to gain of $2.440 million in FY17 was due to unfavourable movement of:
    - Canadian dollar against US dollar during FY18 compared to FY17 which was reflected within the foreign exchange movements on the EBRD convertible loan;
    - Euro against the US dollar during FY18 compared to FY17, was reflected within the foreign exchange movements on the Gold purchase advance payments, since that is denominated in US dollars and held within subsidiary that has Euro as functional currency.

RESULTS OF OPERATIONS – CONTINUED

DETAILED ANALYSIS OF THE YEAR ENDED DECEMBER 31, 2018 COMPARED TO YEAR ENDED DECEMBER 31, 2018 – CONTINUED

- A share-based payments recovery of $0.713 million in FY18 compared to $4.326 million in FY17 was owing to a slight decrease in the Company's common share price during FY18 compared to its substantial decrease in FY17. As disclosed in Note 12(b)(iii) of the consolidated financial statements, the Company's Deferred Phantom Units ("DPUs") are marked-to-market at the Company's period-end common share price, so a fall in the common share price results in a fall in the Group's share-based payment liabilities and a credit to the statement of profit or loss.
- Finance expense increased by $0.125 million due to the increased rate for both EBRD and CCI convertible loans applied upon Amendments of the EBRD and CCI convertible loans (see "HY18 Highlights" section above).

Partially offset by:

- Salaries, director and consultant fees decreased by $0.614 million mainly due to ceased employment of one executive director and two key personnel, as well as due to reduced number of employees in Macedonia resulting from the redundancy programme that was undertaken during 2018.
- Travel expense decreased by $0.127 million resulting from the Group's ongoing cost control and reduced travels costs due to reduced UK based staff.
- A decrease of the rent expenses of $0.117 million was mainly due to the closing of the corporate office in London during FY18.

DETAILED ANALYSIS OF THE QUARTER ENDED DECEMBER 31, 2018 COMPARED TO QUARTER ENDED DECEMBER 31, 2017

The Group recorded a net loss after tax from continuing operations of $1.961 million or $0.01 per share in Q4-2018, compared to $1.212 million or $0.01 per share in Q4-2017.

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

- The recognised loss on foreign exchange of $0.688 million in Q4-2018 compared to gain of $0.191 million in Q4-2017 was due to unfavourable movement of:
  - Canadian dollar against US dollar during Q4-2018 compared to Q4-2017 which was reflected within the foreign exchange movements on the EBRD convertible loan;
  - Euro against the US dollar during Q4-2018 compared to Q4-2017, was reflected within the foreign exchange movements on the Gold purchase advance payments, since that is denominated in US dollars and held within subsidiary that has Euro as functional currency.
- A share-based payments recovery decreased by $0.230 million due to unfavourable movement of the Company's common share price during Q4-2018 compared to Q4-2017.
- Finance expense increased by $0.180 million mainly due to the increased rate for both EBRD and CCI convertible loans applied in Q4-2018 compared to Q4-2017 (see "HY18 Highlights" section above).

Partially offset by:

- Salaries, director and consultant fees decreased by $0.349 million mainly due to ceased employment of one executive director and two key personnel, as well as due to reduced number of employees in Macedonia resulting from the redundancy programme that was undertaken during 2018.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2018 the Group has following contractual obligations:

Contractual obligations	Payments due by Period				
	Total	Less than 1 year	1 - 3 years	4 - years	After 5 years
	$000s	$000s	$000s	$000s	$000s
Debt					
Trade and other payables	634	634	-	-	-
Gold purchase advance payments	15,338	15,338	-	-	-
Working capital loan	349	349	-	-	-
Share-based payment liabilities	577	577	-	-	-
Loans and borrowings	20,675	20,675	-	-	-
Total Debt	*37,573*	*37,573*	-	-	-
*Operating leases**	*11*	*11*	-	-	-
Total Contractual Obligations	**37,584**	**37,584**	**-**	**-**	**-**

* operating leases represent a minimum required rental lease payments, as presented in "Contractual commitments" section

At December 31, 2018 the Group had cash and cash equivalents of $1.086 million and $0.073 million in total for other receivables and other current assets. However, as presented above, the Group had financial liabilities regarding two convertible loans (see Note 13 of the consolidated financial statements) totalling $19.584 million, gold purchase advance payments of $15.338 million, trade and other payables of $0.634 million, share-based payment liabilities amounting to $0.577 million and a working capital loan of $0.349 million, meaning that the Group had a net working capital deficiency of $35.323 million.

The two key contributors to the Group's working capital deficiency position at December 31, 2018 are financial liabilities regarding two convertible loans and the gold purchase advance payments received from Royal Gold, AG ("Royal Gold").

Firstly, the current financial liabilities, composed of the EBRD convertible loan of $11.077 million and the CCI convertible loan of $8.507 million, are classified as current liabilities since both convertible loans mature on December 31, 2018, and subsequently to the year-end extended to May 10, 2019. Both convertible loans are convertible into the Company's common shares at the election of EBRD and CCI on or before their maturity. Refer to Note 13 of the consolidated financial statements. The total contractual obligations for these two convertible loans are $20.675 million, out of which $11.687 million related to the EBRD convertible loan and $8.988 million to the CCI convertible loan.

Secondly, the Royal Gold advance payments are classified within current liabilities because Royal Gold has the contractual capacity to issue a termination notice that may require the Group to repay the outstanding advance payments within 60 days of receiving such notice. Refer to Note 14 of the consolidated financial statements. As at the date of approval of this MD&A by the Company's board of directors, no termination or repayment notice has been received from Royal Gold.

As the Group is in the exploration and evaluation stage of the mining life cycle, the Group does not generate cash inflow from its operating activities. The Group's ability to continue operations is contingent on its ability to obtain additional financing and progress the Ilovica-Shtuka Project into commercial production. Refer to Note 3 of the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES – CONTINUED

Operating Activities

in thousands $	Year ended December 31, **2018**	2017
OPERATING ACTIVITIES		
Continuing operations		
(Loss)/profit before tax	**(9,244)**	3,282
Add back:		
Depreciation	**129**	162
Amortisation	**3**	3
Gain from disposal of property, plant and equipment	**(6)**	-
Finance expense	**2,933**	2,808
Share-based payments recovery	**(713)**	(4,326)
Unrealised foreign exchange loss/(gain)	**1,485**	(2,481)
Fair value loss on modification of financial liabilities	**1,568**	-
Fair value loss/(gain) on financial liabilities	**380**	(3,985)
Sub-total	**(3,465)**	(4,537)
Changes in working capital items:		
Decrease in trade and other receivables and prepayments and deposits	**92**	119
(Decrease)/increase in trade and other payables	**(520)**	131
Income tax paid	**(12)**	-
Cash used in operating activities from continuing operations	**(3,905)**	(4,287)
Cash used in operating activities from discontinued operation*	**-**	(133)
Cash used in operating activities	**(3,905)**	(4,420)

* disclosed in Note 7(b) of the consolidated financial statements

Cash used in operating activities from continuing operations during FY18 was $3.905 million compared to $4.287 million in FY17. This decrease of $0.382 million in FY18 was as result of:

- reduced cash payments of $1.072 million from operating activities mainly resulting from reduced salaries, director and consultant fees of $0.614 million in FY18 compared to FY17 (see in "Result of Operations" section above), while the remaining reduction of $0.458 million was due to the Group's ongoing cost control and closing of of the corporate office in London during FY18

partly compensated by

- the reduction of trade and other payables at December 31, 2018, once funds from the April 2018 Private Placement were received, resulted in overall unfavourable movement of working capital by $0.690 million in FY18 compared to FY17.

Financing Activities

in thousands $	Year ended December 31, **2018**	2017
FINANCING ACTIVITIES		
Proceeds from shares issued	**5,220**	5,930
Share issue costs	**(262)**	(9)
Proceeds from working capital loan	**-**	534
Repayment of working capital loan	**(290)**	(11)
Interest paid	**(6)**	(14)
Cash provided by financing activities	**4,662**	6,430

During FY18, the Group closed a non-brokered private placement and issued 29 million common shares at a price of $0.18 per common share for total proceeds of $5.220 million (see Note 11 of the consolidated financial statements). This was partly offset by payment of share issue costs of $0.262 million, repayment of working capital loan of $0.290 million (see "Related Party Transactions" section below) and interest paid of $0.006 million.

In FY17, the Group closed three non-brokered private placements and issued total 18,491,860 common shares for total proceeds of $5.930 million (see Note 11 of the consolidated financial statements) as well as receiving $0.534 million from a working capital loan provided by certain directors of the Company. This was offset by interest paid of $0.014 million, partial repayment on the working capital loan of $0.011 million and paid share issue costs of $0.009 million.

LIQUIDITY AND CAPITAL RESOURCES – CONTINUED

Investing Activities

in thousands $	Year ended December 31, 2018	2017
INVESTING ACTIVITIES		
Expenditures on mineral right interests	**(573)**	(2,552)
Purchases of property, plant and equipment and land	**(48)**	(4)
Proceeds from disposal of property, plant and equipment	**4**	-
Proceeds from contingent consideration	**488**	-
Disposal of discontinued operation		
net proceeds from disposal of discontinued operation	-	29
purchases of property, plant and equipment and intangible assets	-	(1)
Cash used in investing activities	**(129)**	(2,528)

As part of the investing activities from continuing operations, during FY18, the Group paid $0.573 million in form of capital expenditures on mineral right interests on the Ilovica-Shtuka Project, and further $0.048 million for purchases of property, plant and equipment. These payments were partly offset by collected contingent consideration of $0.488 million and net cash received of $0.004 million from sold purchased property, plant and equipment in FY18.

In FY17, the Group used cash of $2.528 million in investing activities from continuing operations, including $2.552 million of capital expenditures on mineral right interests on the Ilovica-Shtuka Project, and purchases of property, plant and equipment and intangible assets of $0.004 million. While further net inflows of $0.028 million resulted from net proceeds of $0.029 million received from disposal of EES, which were partially offset by $0.001 million used for purchased property, plant and equipment and intangible assets in EES during the six months ended June 30, 2017.

Investing Activities – continued

The table below summarises the expenditures incurred on the Group's key projects during FY18 and FY17.

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

NON-GAAP MEASURES

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

NON-GAAP MEASURES – CONTINUED

The following table provides a reconciliation of the operating cash costs for the quarters and years ended December 31, 2018 and 2017.

	Quarter ended December 31		Year ended December 31	
	2018	2017	**2018**	2017
in thousands $	**(Unaudited)**	(Unaudited)		
Operating profit/(loss) - per consolidated financial statements	**(1,062)**	(435)	**(4,390)**	2,100
Add/(Less):				
Share-based payments (recovery)/expense	**(394)**	(624)	**(713)**	(4,326)
Depreciation	**27**	41	**129**	162
Amortisation	**1**	1	**3**	3
Unrealised foreign exchange (gain)/loss	**623**	(139)	**1,485**	(2,481)
Total Operating cash costs	**(805)**	(1,156)	**(3,486)**	(4,542)

RELATED PARTY TRANSACTIONS

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

(a) Key management personnel transactions

The Group's only related parties are Trentside Projects Limited and Wheatley Project Services, both private companies controlled by the Group's Vice President, Project & Construction Manager. For providing of project managerial services on the Ilovica-Shtuka Project, the Group has contracted Trentside Projects Limited (for the period from July 2015 to April 2018) and Wheatley Project Services (from May 2018). For the project managerial services is agreed an annual fee, paid in monthly instalments, and that annual fee was set based on advice from third party human resource consultants as being a fair market price for such services.

The Group incurred the following fees and expenses in the normal course of operations in connection with related parties. Expenses incurred by related parties are reimbursed by the Group at their original cost.

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

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

(b) Key management personnel compensation

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

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

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

(ii) The Group's Vice President Legal Affairs and Corporate secretary was made redundant on February 28, 2018.

(iii) Share-based payments are the costs/(recoveries) related to vesting of share options, Restricted Share Units ("RSUs") and DPUs granted to directors and key management personnel in current and prior periods

RELATED PARTY TRANSACTIONS – CONTINUED

(c) Working capital loan

During FY17, the Group arranged and closed a working capital loan from its directors. The working capital loan is unsecured and repayable in full on or before April 30, 2019, which incurs a one off interest rate of 20% that has been fully accrued in FY17. More details of this working capital loan are presented below:

Director	Balance at January 1, 2018	Foreign exchange movements	Repayment	Balance at December 31, 2018
	$000s	$000s	$000s	$000s
Martyn Konig [1]	102	2	-	104
Timothy Morgan-Wynne [2]	113	10	-	123
Randal Matkaluk [2]	105	3	(108)	-
Raymond Threlkeld [2]	75	2	(77)	-
Steve Sharpe [1]	102	3	(105)	-
Varshan Gokool [1]	104	1	-	105
Patrick Forward [1]	16	1	-	17
Total	**617**	**22**	**(290)**	**349**

1) working capital loan denominated in British pounds
2) working capital loan denominated in US dollars

As disclosed in the table above, during FY18, the Group repaid $0.290 million of the working capital loan to three directors, of which two left the Group during FY18.

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

COMMITMENTS

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

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

CRITICAL ACCOUNTING ESTIMATES

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

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

The Group's significant estimates include:

- *Carrying values of mineral right interests*

  The Group reviews the carrying value of its mineral right interests to determine whether there is any indication that those assets are impaired which includes whether there are plans for further activity and exploration. The calculated recoverable amount may be based on assumptions about future events or circumstances and estimates and assumptions may change if new information becomes available. If, after expenditures are capitalised, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalised is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

- *Valuation of share-based payment arrangements*

  The Group measures the cost of share-based payment arrangements with employees and consultants by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair values for share-based payment arrangements requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them.

CRITICAL ACCOUNTING ESTIMATES – CONTINUED

- *Valuation of share-based payment arrangements - continued*

  The Black-Scholes option pricing model was developed for use in estimating the fair value of share options and share purchase warrants that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Group uses expected volatility rates which are based upon their historical volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

- *Measurement of EBRD convertible loan*

  The fair value of the EBRD convertible loan is calculated via an internally prepared model that separately values the loan amount (on a discounted cash flow basis) and the conversion option using a Black-Scholes option pricing model.

  The value of the option varies under the different possible financial scenarios. To value each of these, management prepared a model using market observable information assumptions both available generally and specific to the EBRD convertible loan agreement which was filed on SEDAR. These assumptions, of which the most significant is the Company's common share price, have been applied consistently to management's most likely future financing plans.

  A probability weighting has been applied to each scenario, developed based on future financing plans, by using management's best estimate of the likelihood of each scenario occurring. This probability weighting is categorised as a level 3 non-market observable assumption under IFRS 13 and hence results in the EBRD convertible loan valuation being a level 3 valuation.

OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES

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

Dependence on Third Party Financing

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

Fluctuation of Commodity Prices

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

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

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

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

OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

Carrying Value of Unproven Mineral Right Interests

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

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

Dilution

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

Share Price Volatility

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

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.

Economic and Political Instability in Emerging Market Jurisdictions

During FY18, the Group operated in Macedonia, so there are risks to conducting business associated with emerging market economies. These risks may include, among others, invalidation of governmental orders and permits, uncertain political and economic environments, sovereign risk, war, civil disturbances, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations, delays in obtaining or the inability to obtain necessary governmental permits, authorizations and consents, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on exports, instability due to economic under-development, inadequate infrastructure and increased financing costs. In addition, the enforcement by the Group of its legal rights to exploit its properties may not be recognised by any foreign government or by the court system of a foreign country. These risks may limit or disrupt the Group's operations, restrict the movement of funds or result in the deprivation of mining related rights or the taking of property by nationalisation or expropriation without fair compensation.

Specifically in Macedonia, a new government coalition was formed in June 2017, after neither political party won a clear majority in the national parliament elections held in December 2016. In addition to that, local elections were held in October 2017, in which local government was overtaken by the new ruling party that is part of the new government coalition. The primary focus of this new government is solving all requested country's obstacles towards integration into NATO and EU. Following to the closing of the process for implementation of the Prespa Agreement by the Macedonian Parliament, as well as the ratification by the Greek Parliament, on February 6, 2019, the Republic of North Macedonia started the formal process for its membership of NATO.

During this uncertain political situation in Macedonia, active talks with the new Administration have been taken in order to continue with the progress of the Ilovica-Shtuka Project toward obtaining all required permits for it.

OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

Corruption and Bribery

As part of progressing the development of the Ilovica-Shtuka Project, the Group has interactions with many levels of government in Macedonia. The Government of the Republic of North Macedonia has introduced a law on prevention of corruption and established a State Commission for Prevention of Corruption aimed at reducing bribery or corruption in Macedonia.

Transparency International's annual Corruption Perceptions Index scores and ranks countries according to their perceived levels of public sector corruption on a scale where 0 is a country perceived to be highly corrupt to 100 depicting a country perceived as very clean. For 2017, Macedonia scored 35 ranking it 107 out of 176 countries.

The Group is required to comply with anti-bribery and corruption laws including the Canadian Corruption of Foreign Public Officials Act. Additionally, the Group has contractual commitments to comply with the standards and requirements of the EBRD. The Group has developed and adopted a Code of Business Conduct and Ethics and also an Anti-Corruption and Bribery Policy which are intended to mitigate these risks, and are enforced with the Group's employees, consultants and contractors. The Group makes every effort to ensure the Group's employees, consultants and contractors comply with all applicable laws and if found liable the Group may face significant fines or penalties.

Currency Risk

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

Resource Estimates

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

Dependence on Key Personnel

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

Capital and Operating Cost Risks

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

The mining business is capital intensive and the development, exploration and exploitation of mineral reserves and resources and the acquisition of machinery and equipment require substantial capital expenditure. The Group's Ilovica-Shtuka Project will involve significant capital expenditure to progress.

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

OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

Government Regulation

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

Title Matters

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

Operating Hazards and Other Uncertainties

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

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

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

Health, Safety and Community Relations

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

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

OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

Health, Safety and Community Relations – continued

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

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

Environmental Risks

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

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

Non-Canadian Assets and Management

While the Company is incorporated under the laws of British Columbia and its registered office is located in Vancouver, the Company has office in Skopje. Furthermore, its officers and directors and substantially all of the assets of the Company are located outside Canada. It may not be possible for holders of securities to effect service of process within Canada upon such officers and directors who reside outside Canada. There may be difficulty in enforcing against the Company's assets and judgments obtained in Canadian courts predicated upon the provisions of applicable Canadian provincial securities legislation may not be recognised or enforceable in jurisdictions where the Company's officers or directors reside or where the Company's assets are located.

Shortage of qualified skilled labour workers in Macedonia

An increase in worldwide demand for skilled labour may cause unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

Competition

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

Insurance Coverage Could Be Insufficient

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

OPERATIONAL AND OTHER BUSINESS RISKS AND UNCERTAINTIES – CONTINUED

Litigation Risks

All industries, including the mining industry, are subject to legal claims. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material adverse effect on the Group's financial position and results of operations.

Tax Matters

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

No Dividends

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

Mineral Exploration

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

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

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

Conflicts of Interest

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

OFF-BALANCE SHEET ARRANGEMENTS

The Group has no off-balance sheet arrangements that are not disclosed with the Commitments section above.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining the Group's Disclosure Controls and Procedures ("DC&P"), including adherence to the Group's Disclosure, Confidentiality and Insider Trading Policy ("Disclosure Policy") previously adopted by the Group. The Disclosure Policy requires that all staff must keep the Group's Disclosure Officers namely, the President & Chief Executive Officer ("CEO"), the Chief Operating Officer ("COO") and the Chief Financial Officer ("CFO") fully apprised of the Group's developments so that they are in a position to evaluate and discuss though event that may impact on the disclosure process. The Group's board of directors must also be kept aware of all material developments and significant information disseminated to the public.

Management is also responsible for the design of Internal Controls over Financial Reporting ("ICFR"). The Group's ICFR framework includes the policies and procedures that (i) govern the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Group are being made only in accordance with authorisation of the directors and officers of the Group; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposition of the Group's assets that could have a material effect on the Group's consolidated financial statements.

The CEO and CFO evaluated the effectiveness of the Group's DC&P and ICFR as required by NI 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* and they concluded that as of December 31, 2018, the Group's design and operation of its DC&P and ICFR were effective in providing reasonable assurance that all material information disclosed in this MD&A and in the consolidated financial statements was made known to them on a timely basis and reported as required, as well as presented fairly in all material aspects. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

Due to inherent limitations, ICFR and DC&P may not prevent or detect all fraud or misstatements. Further, the effectiveness of ICFR and DC&P may become inadequate due to changes in conditions, or that the degree of compliance with policies and procedures may change. The Group will continually monitor and review the effectiveness of the Group's ICFR and DC&P and may make changes from time to time as considered necessary or desirable. There have no material changes to ICFR made in the quarter ended 31 December 2018.

FORWARD-LOOKING STATEMENTS

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

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

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

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

SUBSEQUENT EVENTS

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

- On March 22, 2019, the Group announced the March 2019 Private Placement for gross proceeds of $10.3 million, and its closing is subject to approval and satisfaction of various conditions. The March 2019 Private Placement is planned to be closed subsequent to the date of the approval of these consolidated financial statements, upon securing all required approvals and all conditions are met. Even considering the fact that the closing is not entirely within the Group's control, management has strong degree of confidence that it will be closed as planned.
- The maturity of both EBRD and CCI convertible loans have been extended until May 10, 2019 and subject to closing of the March 2019 Private Placement, will be further extended until February 28, 2021. In addition to that, as part of the 2019 Amendments of the EBRD convertible loan and 2019 Amendments of the CCI convertible loan, following conditions have been changed for both convertible loans, subsequently to the year end: (1) conversion price has been reduced to $0.15, applied to (i) the Principal Amount, Redemption Amount, the Fee, the Interest, and the Interest on Extension for EBRD convertible loan, and (ii) received proceeds of $5.2 million and related interest for the CCI convertible loan; and (2) annual fixed interest rate of 20% has been reduced to 7%.

OTHER MD&A REQUIREMENTS

As of March 29, 2019, the Group had outstanding 166,742,080 common shares, 64,141,834 share purchase warrants, 10,100,000 share options, with exercise prices ranging from $0.25 to $0.49 per share and 3,977,717 restricted share units. Additional information is available on SEDAR at www.sedar.com and at the Group's website www.euromaxresources.com.