



CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

In Canadian dollars

Independent Auditor's Report

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To the Shareholders of
Maya Gold and Silver Inc.

We have audited the accompanying consolidated financial statements of Maya Gold and Silver Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Maya Gold and Silver Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP¹

Montréal
April 27, 2018

¹ CPA auditor, CA public accountancy permit no. A127023

Maya Gold & Silver Inc.
Consolidated Statements of Financial Position
(in Canadian dollars)

	December 31, 2017	December 31, 2016
	\$	\$
ASSETS		
Current		
Cash	7,063,991	4,266,854
Accounts receivable	16,854	-
Sales taxes receivable	1,575,668	1,000,446
Inventories (Note 5)	2,034,615	1,947,176
Prepaid expenses and security deposits	29,164	365,982
	10,720,292	7,580,458
Non-current		
Restricted investment (Note 6)	10,000	20,000
Advance to related parties (Note 20)	-	80,477
Non-refundable deposits to suppliers	230,834	502,982
Property, plant and equipment (Note 7)	20,513,375	19,299,124
Exploration and evaluation assets (Note 8)	4,939,024	4,707,871
TOTAL ASSETS	36,413,525	32,190,912
LIABILITIES		
Current		
Accounts payable and accrued liabilities	5,016,389	3,107,803
Interest and net profit interest payable to a related party (Note 20)	498,176	607,324
Balance of purchase price payable (Note 8)	1,969,497	2,597,489
Long-term debt (Note 9)	100,868	96,345
Convertible debentures (Note 10)	-	3,004,566
	7,584,930	9,413,527
Non-current		
Long-term debt (Note 9)	7,619,462	8,116,677
Balance of purchase price payable (Note 8)	1,467,998	1,024,148
Asset retirement obligations (Note 11)	1,456,059	977,779
TOTAL LIABILITIES	18,128,449	19,532,131
EQUITY		
Share capital (Note 12)	50,985,822	45,714,774
Share capital to be issued (Note 12)	3,267,247	-
Share purchase warrants (Note 12)	2,318,247	2,967,266
Share purchase options (Note 13)	1,256,360	1,724,575
Equity component of convertible debentures (Note 10)	-	2,013,721
Contributed surplus	6,861,204	4,415,483
Deficit	(46,067,484)	(43,840,800)
Accumulated other comprehensive loss	(336,320)	(336,238)
TOTAL EQUITY	18,285,076	12,658,781
TOTAL LIABILITIES AND EQUITY	36,413,525	32,190,912

Going concern (Note 2), Commitments and guarantees (Note 19), Contingency (Note 22), Events after the reporting date (Note 24)

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board,

/s/ Nouredine Mokaddem

Nouredine Mokaddem, President and CEO, Director

/s/ Mpoyi Patrick Musampa

Mpoyi Patrick Musampa, Chief Financial Officer

Maya Gold & Silver Inc.

Consolidated Statements of Comprehensive Loss

(in Canadian dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Expenses and other items		
Management and administration (Note 14)	1,312,355	1,485,009
Investor relations and corporate development	195,794	208,243
(Gain) loss on foreign exchange	(346,666)	1,505,299
Operating loss	1,161,483	3,198,551
Royalty	330,769	331,917
Net profit interest to a related party (Note 20)	433,437	454,711
Gain on disposal of marketable securities	-	(4,580)
Finance expense (Note 14)	403,110	1,079,897
Gain on extinguishment of debt	(549,352)	(709,571)
Loss before income taxes	1,779,447	4,350,925
Income tax expense (Note 15)	383,165	178,110
Net loss	2,162,612	4,529,035
Other comprehensive loss		
Items that will be subsequently reclassified to net loss		
Foreign currency translation of foreign subsidiaries	82	(699,845)
Change in fair value of marketable securities– shares	-	12,723
	82	(687,122)
Comprehensive loss	2,162,694	3,841,913
Basic and diluted net loss per common share	0.01	0.02
Weighted average number of shares – basic and diluted	210,965,367	186,906,276

The accompanying notes are an integral part of these consolidated financial statements.

Maya Gold & Silver Inc.

Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Number of issued and outstanding shares	Share capital	Share capital to be issued	Share purchase warrants	Share purchase options	Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2016	199,339,616	45,714,774	-	2,967,266	1,724,575	2,013,721	4,415,483	(43,840,800)	(336,238)	12,658,781
Issuance of units (Note 12)	11,538,460	1,159,812	-	340,188	-	-	-	-	-	1,500,000
Maturity of convertible debentures	-	-	-	-	-	(2,013,721)	2,013,721	-	-	-
Share issue costs	-	-	-	-	-	-	-	(64,072)	-	(64,072)
Warrants exercised (note 12)	14,871,705	4,005,021	3,267,247	(989,207)	-	-	-	-	-	6,283,061
Share purchase options exercised (note 13)	200,000	106,215	-	-	(36,215)	-	-	-	-	70,000
Share purchase options expired	-	-	-	-	(432,000)	-	432,000	-	-	-
	225,949,781	50,985,822	3,267,247	2,318,247	1,256,360	-	6,861,204	(43,904,872)	(336,238)	20,447,770
Net loss for the year	-	-	-	-	-	-	-	(2,162,612)	-	(2,162,612)
Other comprehensive loss	-	-	-	-	-	-	-	-	(82)	(82)
Comprehensive loss for the year	-	-	-	-	-	-	-	(2,162,612)	(82)	(2,162,694)
Balance as at December 31, 2017	225,949,781	50,985,822	3,267,247	2,318,247	1,256,360	-	6,861,204	(46,067,484)	(336,320)	18,285,076
Balance as at December 31, 2015	156,867,116	41,265,911	-	2,095,215	1,832,830	2,013,721	4,225,842	(39,167,625)	(1,023,360)	11,242,534
Issuance of units (Note 12)	40,672,500	4,205,863	-	777,837	-	-	-	-	-	4,983,700
Share issue costs	-	-	-	-	-	-	-	(144,140)	-	(144,140)
Share issue as per Long-term Incentive Plan	1,800,000	243,000	-	-	-	-	-	-	-	243,000
Share purchase warrants issued (note 12)	-	-	-	166,800	-	-	-	-	-	166,800
Share purchase warrants and options expired	-	-	-	(72,586)	(117,055)	-	189,641	-	-	-
Share-based payments (Note 13)	-	-	-	-	8,800	-	-	-	-	8,800
	199,339,616	45,714,774	-	2,967,266	1,724,575	1,724,575	4,415,483	(39,311,765)	(1,023,360)	16,500,694
Net loss for the year	-	-	-	-	-	-	-	(4,529,035)	-	(4,529,035)
Other comprehensive loss	-	-	-	-	-	-	-	-	687,122	687,122
Comprehensive loss for the year	-	-	-	-	-	-	-	(4,529,035)	687,122	(3,841,913)
Balance as at December 31, 2016	199,339,616	45,714,774	-	2,967,266	1,724,575	2,013,721	4,415,483	(43,840,800)	(336,238)	12,658,781

The accompanying notes are an integral part of these consolidated financial statements.

Maya Gold & Silver Inc.

Consolidated Statements of Cash Flows

(in Canadian dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
Cash flows provided by (used in)	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,162,612)	(4,529,035)
Adjustments for non-cash items		
Share-based payments (Note 13)	-	418,600
Finance expense	332,149	454,150
Unrealized (gain) loss on foreign exchange	(460,547)	1,643,188
Gain on disposal of marketable securities	-	(4,580)
Gain on extinguishment of debt	(549,352)	(709,571)
Net changes in working capital items (Note 18)	229,618	(1,878,298)
	(2,607,964)	(4,605,546)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(10,100,066)	(9,692,624)
Proceed from sale of restricted investment	10,000	-
Silver sales	11,119,263	10,750,614
Proceed from sale of marketable securities	-	43,633
Additions of exploration and evaluation assets	(231,153)	(156,440)
	798,044	945,183
FINANCING ACTIVITIES		
Demand promissory note due to a related party	-	(4,011,536)
Issuance of units, warrants and share purchase options exercised, net of issue costs	7,788,989	4,839,560
Repayment of long-term debt	(131,932)	(940,017)
Addition of long-term debt	-	7,662,883
Repayment of convertible debentures	(3,050,000)	-
	4,607,057	7,550,890
Net increase in cash	2,797,137	3,890,527
Cash, beginning of year	4,266,854	376,327
Cash, end of year	7,063,991	4,266,854

The accompanying notes are an integral part of these consolidated financial statements.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

Maya Gold & Silver Inc. ("Maya") was incorporated on December 19, 2007 under the Canada Business Corporations Act and is listed on the TSX Venture Exchange ("TSXV") under the symbol "MYA". Maya's registered office is located at Suite 2901, 1 Place Ville-Marie, Montreal, Quebec, Canada.

Maya and its subsidiaries (together the "Corporation") are at the development stage for its Zgounder project and at exploration and evaluation stage for the other projects in Morocco. Their operations include the acquisition, exploration, evaluation and development of mining properties.

In the second quarter of 2014, Maya's Zgounder property entered into its development phase and commissioning activities commenced at the Zgounder mine in Morocco. The transfer of the property title occurred in the second quarter of 2014 to a new company incorporated in January 2014, called Zgounder Millenium Silver Mining S.A. ("ZMSM"), owned at 85% by the Corporation and 15% by L'Office National des Hydrocarbures et des Mines ("ONHYM").

In regard to its other projects, the Corporation has not yet determined whether they contain ore resources that are economically recoverable. The recoverability of amounts shown as exploration and evaluation assets are dependent upon the existence of reserves on these properties, the ability to obtain all required permits, the ability of the Corporation to obtain necessary financing to complete the development of these projects and upon future profitable production from these projects or sufficient proceeds from their disposal thereof. The Corporation may periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, some external factors like global economy or commodities market could limit the success of capital raising in the future.

2. BASIS OF PREPARATION

The Corporation's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Early in 2018, the Corporation secured funding from share purchase warrants and options exercised (\$7,035,124) and through a non-brokered private placement of \$28,397,000. Management estimates that these funds are sufficient to meet the Corporation's obligations and existing commitments for the next 12 months, including future payments to acquire mineral properties and conduct minimum exploration and evaluation program, pursue its mining operations at Zgounder and pay for general and administration costs. As such, these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures. The Board of Directors approved and authorized for issue the consolidated financial statements as at April 27, 2018.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

3. CHANGES IN ACCOUNTING POLICIES

Accounting standards issued but not yet applied

At the date of authorization of these consolidated financial statements, certain new standards, and amendments to existing standards, have been published by the International Accounting Standard Board (IASB) that are not yet effective, and have not been adopted early by the Corporation. Information on those expected to be relevant to the Corporation's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Corporation's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Corporation's consolidated financial statements.

IFRS 9, Financial Instruments ("IFRS 9")

The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The accounting for financial instruments and the line item in which they are included in the consolidated statements of financial position are unaffected by the adoption of IFRS 9, and no measurement adjustments are required to the Corporation's financial assets and liabilities. The adoption of IFRS 9 does not have a material impact on impairment of the Corporation's financial assets. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts and IAS 18, Revenue and several revenue-related interpretations. The mandatory effective date of IFRS 15 is January 1, 2018. The objective of IFRS 15 is to establish a single, principles based five-step model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide users of financial statements with more informative, relevant disclosures. The Corporation is still in the process of assessing the impact of this new standard. The Corporation does not expect that the timing or amounts of revenue currently recognized on its sales of silver will be affected by IFRS 15.

IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB published IFRS 16 which will replace IAS 17 *Leases*. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16: changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Corporation has yet to assess the impact of this new standard on its consolidated financial statements.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis. The Corporation has elected to present the consolidated statement of comprehensive loss in a single statement.

Basis of consolidation

These consolidated financial statements include the accounts of Maya and its subsidiaries. Subsidiaries are all entities over which the Corporation has control. The Corporation controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Maya and are de-consolidated from the date that control ceases. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Where the Corporation's interest in a subsidiary is less than 100%, the Corporation recognizes non-controlling interests. Maya and all of its subsidiaries have a reporting date of December 31. The following entities have been consolidated within these consolidated financial statements:

Entities	Registered	% of ownership and voting right	Principal activity	Functional Currency
Maya Gold & Silver inc. ("Maya")	Canada	n/a	Holding	Canadian dollar
Compagnie Minière Maya-Maroc S.A ("CMMM")	Morocco	100%	Exploration	Moroccan dirham
Zgounder Millenium Silver Mining S.A. ("ZMSM")	Morocco	85%	Development	Moroccan dirham
Metales de la Sierra, S. de R.L. de C.V. ("Metales")	Mexico	99%	Exploration	Canadian dollar

The Corporation owns CMMM directly which in turn owns 85% of ZMSM.

No dividend was paid to the non-controlling interests in 2017 and 2016.

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of Maya. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the entities in the group has remained unchanged during the reporting period.

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency of the respective Corporation entity at the exchange rate in effect at the financial position date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Revenue and expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation that is translated at the historical rate. Gains and losses on exchange arising from the translation of foreign operations are recorded in the consolidated statement of comprehensive loss.

Maya Gold & Silver Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CMMM and ZMSM have the Moroccan dirham as functional currency. Assets, liabilities and transactions of CMMM and ZMSM are therefore translated into Canadian dollars on consolidation, whereby assets and liabilities are translated into Canadian dollars using the reporting date closing exchange rate. Income and expenses are translated into the Canadian dollars at the average exchange rate over the reporting period. Exchange differences are presented in other comprehensive loss and recognized in the accumulated other comprehensive loss. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired or issued:

Financial assets	Classification
Cash	Loans and receivables
Accounts receivable	Loans and receivables
Restricted investment	Loans and receivables
Advance to related parties	Loans and receivables
Financial liabilities	
Accounts payable and accrued liabilities (except salaries and employee benefits)	Financial liabilities at amortized cost
Interest and net profit interest payable to a related party	Financial liabilities at amortized cost
Demand promissory note due to a related party	Financial liabilities at amortized cost
Loan	Financial liabilities at amortized cost
Balance of purchase price payable	Financial liabilities at amortized cost
Convertible debentures	Financial liabilities at amortized cost

Income and expenses related to financial assets that are recognized in the consolidated statement of comprehensive loss are presented as finance income and finance expense.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

ii) Financial liabilities at amortized cost

Financial liabilities at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

iii) Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss. For the financial assets carried at amortized cost, the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

iv) Derivative financial instruments

Derivative instruments, including embedded derivatives, are recorded at their fair value on the date the derivative contract is entered into and transaction costs are expensed as incurred. They are subsequently remeasured at their fair value at each reporting date, and the variations in the fair value charged to profit or loss. Fair values for derivative instruments are determined using valuation techniques, using assumptions based on market conditions existing at the consolidated statement of financial position date.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible debentures

The liability and equity components of convertible debentures are presented separately on the consolidated statement of financial position starting from initial recognition.

The liability component is recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated conversion option. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the debentures at maturity.

The carrying amount of the equity component is calculated by deducting the carrying amount of the financial liability from the amount of the debentures and is presented in shareholders' equity as Equity component of convertible debentures. A deferred tax liability is recognized with respect to any temporary difference that arises from the initial recognition of the equity component separately from the liability component. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized through the consolidated statement of comprehensive loss.

Restricted investment

Restricted investment consists of a deposit held as collateral against the Corporation's credit cards.

Inventories

Supply, ore and precious metals inventories are valued at the lower of cost and net realizable value. The cost of supply inventories is measured at the lower of cost using the weighted average cost formula and net realizable value. The cost of ore and precious metals inventories are measured using the specific cost method and includes all expenses directly attributable to the mineral extraction and processing processes, including the cost of supply consumed, direct labour and a systematic allocation of fixed and variable production overheads that are incurred in extracting and processing ore.

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated cost to completion and estimated selling expenses. The amount of inventories recognized as an expense is included in addition under mining assets under construction in property, plant and equipment (Note 7).

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivables, excluding taxes.

Precious metals revenue, based on spot metal prices, as well as the related production cost, is recorded on delivery when rights and obligations related to ownership are transferred to the purchaser and assurance regarding collectability of the consideration exists.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

Prior to achieving commercial production, net proceeds from metal sales are offset against mining assets under construction in property, plant and equipment (Note 7).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets

Exploration and evaluation assets are comprised of rights on mining properties or options to acquire undivided interests in mining rights, deferred exploration and evaluation expenses and mining properties. They are recorded at their acquisition cost or at their recoverable amount being the higher of their fair value less cost to sell or their value in use following a devaluation caused by an impairment of value. Expenditures incurred prior to securing the legal rights to explore an area are expensed immediately.

Exploration and evaluation expenditures for each property are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. Exploration and evaluation expenditures include the cost of:

- establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
- determining the optimal methods of extraction and metallurgical and treatment processes;
- studies related to surveying, transportation and infrastructure requirements;
- permitting activities; and
- economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and feasibility studies.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource.

Cash flows attributable to capitalized exploration and evaluation costs are classified as investing activities in the consolidated statements of cash flows under the heading "Additions of exploration and evaluation assets" and cash flows attributable to expensed general exploration and evaluation expenditures are classified as operating activities in the consolidated statements of cash flows.

Proceeds on the sale of interests in exploration properties are applied to reduce the related carrying costs; any excess is reflected as a gain in the consolidated statement of comprehensive loss. Losses on partial sales are recognized and reflected in the consolidated statement of comprehensive loss.

Whenever a mining property is considered no longer viable or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource is demonstrated, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 8) and any impairment loss is recognized in profit or loss before reclassification.

Maya Gold & Silver Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016 (in Canadian dollars)

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

Management determines that a property has reached the development phase, based on the following criteria:

- The Corporation has completed a preliminary feasibility study;
- Funds have been secured and deemed sufficient for the development of the property;
- All required permits have been obtained;
- Other criteria according to the judgment of management based on the unique nature of each project.

Once all these criteria are met and upon review and approval by the Board of Directors, a property is considered to enter into the development stage and related exploration and evaluation assets are transferred to mining assets under construction within property, plant and equipment.

As at December 31, 2017, all of the Corporation's mining properties are still under the scope of IFRS 6 and therefore subject to the accounting policy as described in exploration and evaluation assets except for the Zgounder property which is considered in development stage and subject to the accounting policy described in property, plant and equipment.

Property, plant and equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where parts of an item of property, plant and equipment have a different useful life, they are accounted for as separate items of property, plant and equipment.

Mining assets under construction

When a mining project reaches the development phase, exploration and evaluation expenditures are tested for impairment and subsequent costs are capitalized to mine development costs in property, plant and equipment. The development expenditures are capitalized net of net proceeds from sale of ore extracted during the development phase.

Mining assets under construction consist of items of property, plant and equipment incurred in the course of construction or mineral properties in the course of development, including those transferred upon completion of the exploration and evaluation phase. Mining assets under construction are not amortized. On completion of construction or development, costs are transferred to property, plant and equipment and/or mining properties as appropriate based on the following criteria:

- Production capacity achieved;
- Recovery grade;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Stage of completion of development work;
- Completion of the planned capital expenditures.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Mining properties

Mining properties consist of costs transferred from mining assets under construction when a mining property reaches commercial production, costs of subsequent mine development, and acquired mining properties in the production stage.

Mining properties include costs directly attributable to bringing a mineral asset into the state where it is capable of operating in the manner intended by management. The determination of development costs to be capitalized during the production stage of a mine operation requires the use of judgment and estimates.

Subsequent mine development costs are capitalized to the extent they are incurred in order to access reserves mineable over more than one year. Ongoing exploration maintenance and development expenditures are expensed as incurred in cost of sales in profit or loss.

Depletion of mining site in production

Property, plant and equipment of a mining site in production are depleted according to the units-of-production method to write down the cost to estimated residual value. The depletion rate is calculated in accordance with the number of ounces of silver sold using proven and probable reserves. The estimated period of depletion is determined according to the reserves of mining site in production. The depreciation is presented as depreciation and depletion and is included in the cost of sales. Since all properties of the Corporation are not yet in commercial production, no amortization has been accounted for.

Amortization

Depreciation is recognized on a straight-line basis using the cost of property, plant and equipment, less its estimated residual value, over its estimated useful life.

Repairs and maintenance costs related to exploration and evaluation assets are capitalized to exploration and evaluation assets. Other repairs and maintenance costs are charged to the consolidated statement of comprehensive loss during the period in which they are incurred.

The mining assets under construction have not been amortized since the mine is not yet in commercial production. Depreciation expense is capitalized in exploration and evaluation assets if the assets are attributable to exploration and evaluation activities.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Impairment of non-financial assets

At the end of each reporting period and when impairment indicators are identified, the Corporation reviews the carrying amounts of its non-financial assets which are composed of property, plant and equipment and exploration and evaluation assets, to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. The recoverable amount is the higher of an asset or a cash generating unit's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset or cash generating unit, such value being discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash generating unit. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis or by areas of interest, with each property representing a potential cash-generating unit, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. A previous impairment is reversed if the asset's recoverable amount exceeds its carrying amount. However, the impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Provisions

A provision is recognized when the Corporation has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions for asset retirement obligations and environmental remediation, restructuring costs and legal claims, where applicable, are recognized when:

- (i) The Corporation has a present legal or constructive obligation as a result of past events,
- (ii) It is probable that an outflow of resources will be required to settle the obligation,
- (iii) The amount can be reliably estimated.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Provisions are measured at management's best estimate of the expenditures required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The increase in the provision due to passage of time is recognized as finance expense. Changes in assumptions or estimates are reflected in the period in which they occur.

Provision for asset retirement obligations represents the legal and constructive obligations associated with the eventual dismantling of the Corporation's buildings and equipment related to mining production. These obligations consist of costs associated with the removal of tangible assets. The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation, excluding the risks for which future cash flow estimates have already been adjusted. The schedule of expenditures was determined by taking into account the proven and probable reserves and the estimated annual production level.

Post-employment benefits and short-term employee benefits

The Corporation provides post-employment benefits through a multi-employer contribution plan. Under this plan, the Corporation pays contributions, established according to a percentage of employee's salary, to a pension fund, independently managed. The Corporation has no legal or constructive obligations to pay contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "accounts payable and accrued liabilities", and are measured at the undiscounted amount that the Corporation expects to pay.

Income taxes

Income tax on income for the periods presented comprises current and deferred tax. Income tax is recognized in income except to the extent that it relates to items recognized in other comprehensive loss or in equity, in which case it is recognized in other comprehensive loss or in equity, respectively.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that do not affect accounting or taxable income; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset only when the Corporation has a legally enforceable right and intention to set-off current tax assets and liabilities from the same taxation authority.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital and warrants

Share capital and share purchase warrants are classified as equity. The Corporation allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair value of each instrument using the Black-Scholes pricing model for the share purchase warrants valuation.

Share-based payment transactions

Equity-settled share-based payments were made in exchange for services received, for the acquisition of properties or for settlement of debentures. The value of the equity instruments granted is determined upon the fair value of the services received or the properties acquired unless impracticable. In such case, the fair value of the services rendered or the properties acquired is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of share-based payments to directors, officers, employees and consultants with employee-related functions is recognized as an expense over the vesting period with a corresponding increase to the share purchase options component of the equity. The fair value is measured at the grant date and recognized over the period during which the options vest or the service period for consultant that do not qualify as an employee of the Corporation. The fair value of the options granted is measured using the Black-Scholes option pricing model and takes into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon the exercise of share-based payments, the proceeds received, net of any direct expenses, as well as the related compensation expense previously recorded into the share purchase options account are credited to share capital.

Share issue expenses

Share issue expenses are accounted for as decrease of equity when incurred by increasing the deficit.

Other elements of equity

Accumulated other comprehensive income (loss) includes the impact of converting the accounts of the Corporation's foreign subsidiaries into Canadian dollars. Contributed surplus includes charges related to share purchase options and warrants expired. Deficit includes all current and prior period retained profits or losses.

Loss per share

The Corporation presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmented information

The Corporation currently has only one operating segment which is mineral exploration, evaluation and development in Morocco.

Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed as part of finance expenses.

All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of accounting policies as well as the carrying amounts of assets, liabilities, revenues and expenses. The Corporation also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments in applying accounting policies

Going concern

The assessment of the Corporation's ability to continue as a going concern and execute its strategy by funding future working capital and exploration and evaluation activities involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate, among others, to the expected timing to secure its financing on a timely basis.

Income taxes

The Corporation is subject to income taxes in different jurisdictions. Significant judgement is required in determining the total provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates (continued)

Critical judgments in applying accounting policies (continued)

Income taxes (continued)

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available which deductible temporary differences and the carry-forward of unused tax credits and unused losses can be utilized.

Start of development phase

The Corporation evaluates the potential of each project to determine when the project should progress from the exploration and evaluation phase to the development phase. Once management has determined that a project has demonstrated a potential for development based on a number of judgmental criteria and once approval by the Board of Directors, the project moves into the development phase.

Start of commercial production phase

The Corporation assesses the stage of completion of each mining assets under construction to determine when it begins commercial production. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Corporation considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from mining assets under construction to mining properties. Some of the criteria used to identify the commercial production start date include, but are not limited to:

- Production capacity achieved;
- Recovery and grade;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Stage of completion of development work;
- Completion of the planned capital expenditures.

Estimation uncertainty

Provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimation uncertainty (continued)

Asset retirement obligations

The Corporation's activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for decommissioning and restoration obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of cash outflows and discount rates could affect the carrying amount of this provision.

Provision for environmental remediation

The Corporation is committed to carry out environmental work to improve certain aspects of the Zgounder's property. The Corporation recognizes management's best estimate for obligations at each reporting periods. Actual costs incurred in future periods could differ materially from the estimates.

Impairment of non-financial assets

Non-financial assets are reviewed for an indication of impairment at each consolidated statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to:

- Rights to explore in an area have expired or will expire in the near future without renewal;
- No further substantive exploration or evaluation activities are planned or budgeted;
- A decision to discontinue exploration and evaluation activities in an area because of the absence of commercial reserves; and
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

The Corporation's recoverable amount measurements with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The estimated recoverable amounts may differ from actual recoverable amounts, and these differences may be significant and could have a material impact on the Corporation's financial position and results of operations.

The Zgounder property is qualified as being in development stage. An impairment test was performed as at December 31, 2016 and 2017. Several assumptions were required such as the expected cash flows, the future price of silver and of the future foreign currency rate of Canadian to US dollar and the discount rate.

Management plans to execute further substantive exploration and evaluation activities on Boumadine, Amizmiz, Azegour, permit 233263 and Touchkal properties when appropriated financing will be raised. Management believes the fundamental outlook for those properties remains good for the future, but given no explorations expenditures were planned, except for Boumadine, an impairment charge was accounted for in a previous period with respect to Amizmiz, Azegour, permit 233263 and Touchkal properties.

Maya Gold & Silver Inc.
Notes to Consolidated Financial Statements
December 31, 2017 and 2016 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (continued)

Since the Corporation began exploration work on the Boumadine property in 2016 under an exploration program, program that is planned to be pursued in 2018 and that the Corporation respected its obligation with respect to the payment of the third payment on the balance of purchase price payable in 2017 and intends to honor the fourth payment by the end of 2018, no impairment indicators was identified with respect to that property as at December 31, 2017.

Share-based compensation expense

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own shares, the probable life of options and the time of exercise of those options. The model used by the Corporation is the Black-Scholes model any change in the estimates or inputs utilized to determine fair value could result in a significant impact on the consolidated financial statements.

Impairment test of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses are a subjective process involving judgment and a number of estimates and interpretations in many cases. When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In the process of measuring expected future cash flows, management makes assumptions about future operating results, such as future metal production (proven and probable reserves), estimated future metal prices, operating costs, capital and site restoration expenses and estimated future foreign exchange rates. These assumptions relate to future events and circumstances. Actual results may differ from estimated results.

5. INVENTORIES

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Mining supplies	929,730	1,006,325
Precious metals	728,252	828,551
Ore	376,633	112,300
	2,034,615	1,947,176

In 2017, a total of \$10,780,627 (\$9,581,288 in 2016) of inventories, corresponding to the production and development cost, were included in mining assets under construction in property, plant and equipment (Note 7).

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Notes to Consolidated Financial Statements
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6. RESTRICTED INVESTMENT

As at December 31, 2017, an amount of \$10,000 (\$20,000 as at December 31, 2016) was held as collateral of the Corporation's credit cards. This collateral was invested in a guaranteed investment certificate bearing interest at a fixed rate of 0.5% (0.5% as at December 31, 2016), maturing in September 2018 and redeemable at any time. This investment is automatically renewed at each anniversary date. Therefore, it is presented as long-term.

7. PROPERTY, PLANT AND EQUIPMENT

	Computers, equipment and office furniture	Exploration and evaluation equipment	Mining assets under construction	Vehicles	Total
	\$	\$		\$	\$
Cost					
Balance at January 1, 2016	38,777	435,508	20,755,099	27,521	21,256,905
Additions	-	-	10,254,267	-	10,254,267
Silver sales	-	-	(10,750,614)	-	(10,750,614)
Changes in asset retirement obligations	-	-	65,308	-	65,308
Foreign exchange	-	-	(1,024,936)	-	(1,024,936)
Balance at December 31, 2016	38,777	435,508	19,299,124	27,521	19,800,930
Additions	-	-	11,667,965	-	11,667,965
Silver sales	-	-	(11,119,263)	-	(11,119,263)
Changes in asset retirement obligations	-	-	467,372	-	467,372
Write-off	(38,777)	-	-	-	(38,777)
Foreign exchange	-	-	198,177	-	198,177
Balance at December 31, 2017	-	435,508	20,513,375	27,521	20,976,404
Accumulated depreciation					
Balance at January 1, 2016 and December 31, 2016	38,777	435,508	-	27,521	501,806
Write-off	(38,777)	-	-	-	(38,777)
Balance at December 31, 2017	-	435,508	-	27,521	463,029
Carrying amounts					
At December 31, 2016	-	-	19,299,124	-	19,299,124
At December 31, 2017	-	-	20,513,375	-	20,513,375

Since the Zgounder property is in development stage, the mining assets under construction were not amortized in the periods presented.

All properties, plant and equipment are located in Morocco and all revenues are earned in Morocco, through the sale of silver doré produced at Zgounder mine.

The mining assets under construction include equipment under finance lease of \$396,600 (3,000,000 dirham).

Additions to mining assets under construction in 2017 include an amount of \$887,338 (\$672,979 in 2016) related to capitalized interests.

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Notes to Consolidated Financial Statements
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8. EXPLORATION AND EVALUATION ASSETS

Changes in exploration and evaluation assets were as follows:

	December 31, 2017	December 31, 2016
	\$	\$
Rights on mining properties		
Opening balance	4,438,257	4,438,257
Additions	-	-
Ending balance	4,438,257	4,438,257
Deferred exploration and evaluation expenses		
Opening balance	269,614	113,174
Additions		
Geology and consulting	92,553	6,648
Administrative	138,600	149,792
Ending balance	500,767	269,614
Balance, end of year	4,939,024	4,707,871

All exploration and evaluation assets are located in Morocco and relate only to the Boumadine project.

a) Zgounder project

In January 2012, the Corporation and ONHYM, entered into an Assignment Agreement for the Zgounder Silver project. Under the terms of the Assignment Agreement, the Corporation acquired 85% of the Zgounder Silver project for total cash payments of \$5,647,250 (48,000,000 dirham) at the date of transaction, including an amount of \$2,382,450 (20,000,000 dirham) paid in February 2012, an amount of \$1,710,124 (14,000,000 dirham) paid in February 2013 and a final amount of \$1,944,444 (14,000,000 dirham) paid in May 2014.

Under the terms of the Assignment Agreement, the Corporation also agreed to make an additional cash payment (the "Additional Payment") to ONHYM, no later than the later of 6 months following the completion of a feasibility study and the decision to bring the project into production, or 24 months following the transfer of the property to the Corporation which occurred in June 2014. The Additional Payment will total \$1.5 million if the established mineral reserves are at least 10 million ounces of silver, \$3.0 million if the established mineral reserves exceed 20 million ounces of silver and \$4.0 million if the established mineral reserves exceed 30 million ounces of silver. The Corporation has also agreed to undertake a \$5.0 million exploration program to be spent within 24 months of the transfer of the property and to spend an amount of \$9.5 million in rehabilitation and development expenditures within 18 months of the approval of the Act of the transfer of the property. Under the terms of the Assignment Agreement, ONHYM is allowed to receive a 3% royalty on sales from the Zgounder project.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2017 and 2016 (in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

a) Zgounder project (continued)

At the time Zgounder entered into development stage in 2014, the Corporation performed an impairment test. The recoverable amount of Zgounder property was determined based on value-in-use calculations. No impairment was required on the transition date of the Zgounder property from the exploration to development phase and related accumulated costs as of that date (\$5,547,250 related to mining rights and \$3,005,693 related to other exploration and evaluation expenses) were transferred to mining assets under construction into property, plant and equipment.

As at December 31, 2017 and 2016, the Corporation performed an impairment test. No impairment was required as at December 31, 2017 and 2016 following the completion of the impairment test.

b) Boumadine project

In February 2013, the Corporation and L'ONHYM, a Moroccan state institution, entered into an Agreement for the Boumadine polymetallic deposit (the "Convention"). Under the terms of the Convention, the Corporation acquired 85% of the Boumadine project for total cash payments of 28,000,000 dirham (\$3,357,200), including an initial amount of 6,000,000 dirham (\$719,400) paid by Global Works, Assistance and Trading S.A.R.L ("Glowat"), a related party company acting as project manager (Note 20), on behalf of the Corporation two months after the initial due date, an amount of 6,000,000 dirham (\$812,400) paid in February 2014 by Glowat on behalf of the Corporation, 6,000,000 dirham (\$806,940) payable in December 2017 (paid in January 2018, refer to note 23), a final payment of 10,000,000 dirham (\$1,344,900) payable in December 2018. In addition, an amount of 15,000,000 dirham (\$2,017,350) which relates to past expenses incurred by the seller is payable when a subsidiary will be created and the property be transferred to this new subsidiary. Also, this amount can be applied as a capital contribution of the future subsidiary, at the seller's request. The transfer of the property will occur once a separate company owned at 85% by the Corporation and 15% by ONHYM has been established in Morocco under the terms of the Convention, a letter of credit amounting to 2,200,000 dirham (\$295,878) has been subscribed by the Corporation to the benefit of ONHYM and all cash payments have been completed. In February 2016, ONHYM and the Corporation agreed to postpone the third payment until the end of 2017 and the fourth payment until the end of 2018. As the terms of the extension were significantly different from the original terms, the extension was considered to be an extinguishment of the balance of purchase price. The Corporation discounted the cash flow under the new schedule of payments, the difference between this amount and the carrying value at the date of modification was accounted for as a gain on extinguishment of debt in 2016. In December 2017, ONHYM and the Corporation agreed that the additional amount of 15,000,000 dirham will be payable only when a future subsidiary will be created, which should not be earlier than January 2020. The terms of the debt are significantly different from the original terms, as such the amendment was considered to be an extinguishment of the balance of purchase price. The Corporation discounted the cash flow under the new schedule of payments, the difference between this amount and the carrying value at the date of modification was accounted for as a gain on extinguishment of debt in 2017.

ONHYM will receive a 3% royalty on sales from the Boumadine project. In the event where delay in production would be greater than 60 months from the date of approval of the Convention, the Corporation undertakes to pay to the seller a cancellation annual royalty of 100,000 dirham (\$13,449) until production actually begins.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

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8. EXPLORATION AND EVALUATION ASSETS (continued)

b) Boumadine project (continued)

The Corporation has also agreed to undertake a work program beginning three months after the transfer of the property. For the development of the Boumadine property, the Corporation agreed to realize the following actions correspondingly:

- (i) Certification of reserves (18 months);
- (ii) Testing recovery (6 months);
- (iii) Mining development (48 months); and
- (iv) Research and exploration (60 months).

The period of execution of the proposed work is 60 months for all of the actions mentioned above.

The realization of all work and installations needed for the exploitation of the deposit will be the responsibility of the new company to be created to be 85% owned by the Corporation and 15% owned by ONHYM.

The acquisition of Boumadine property does not meet the definition of a business as the property does not have ore reserves nor does it have a processing infrastructure. Consequently, the transaction has been recorded as an acquisition of asset.

The balance of purchase price does not bear interest. The purchase price of \$5,155,700, excluding initial cash payment of \$719,400, was discounted to \$4,438,257 with an interest rate of 16%. The amount was allocated to the assets acquired based on the fair value of the total consideration at the closing date of the transaction.

c) Amizmiz Property

In October 2010, the Corporation entered into a property purchase agreement with Société d'Exploration Géologique des Métaux ("SEGM"), a Moroccan private company holding the right on the Amizmiz mining permits, replacing and cancelling the previous option agreement of March 2009, whereby it acquired from SEGM, 100% of the rights on the Amizmiz property in consideration for 1,555,555 common shares of the Corporation. In accordance with the 2009 option agreement and the 2010 acquisition agreement, the Corporation made cash payments of \$250,000 in 2009 and issued 500,000 common shares in 2009, 666,667 common shares in March 2010 and 1,555,555 common shares in June 2011, respectively valued at \$190,000, \$180,000 and \$622,223 at the date of the transactions. SEGM retains a 2.5% net smelter royalty (NSR) on the acquired permits. The 2010 acquisition agreement was approved by the Moroccan Mining Authorities in June 2011.

Based on an impairment analysis performed and given that no expenses was budgeted in a short-term horizon, this property was considered fully impaired in a previous year.

d) Azegour property

On March 2, 2011, the Corporation entered into a property purchase agreement with Ouiselat Mines (a private Moroccan company) to acquire a 100% interest in mining permit No 183208 (Azegour property) for a total cash consideration of 20.0 million dirhams (approximately \$2.4 million) and the issuance of 500,000 common shares of the Corporation in favour of Ouiselat Mines.

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9. EXPLORATION AND EVALUATION ASSETS (continued)

d) Azegour property (continued)

In accordance with the agreement, the Corporation paid in 2011, in two tranches, a total amount of 15.0 million dirhams (approximately \$1.8 million) and issued all 500,000 common shares of the Corporation, valued at \$175,000. The third and final cash payment of 5 million dirhams (\$593,500) was due in March 2012, 12 months following the signing of the purchase agreement. This payment was made in March 2012.

The Corporation will pay a 2.5% royalty on revenue to Ouiselat Mines on any production derived from the property.

The transfer of property titles to the Corporation as well as the regulatory approval of the transaction by the Ministère de l'Énergie, des Mines, de l'Eau et de l'Environnement du Maroc ("Moroccan Mining Authorities") were confirmed in May 2011.

Based on an impairment analysis performed and given that no expenses was budgeted in a short-term horizon, this property was considered fully impaired in a previous year.

e) Mining permit No 233263

On March 2, 2011 the Corporation entered into a property purchase agreement with a private individual to acquire a 100% interest in mining permit no 233263 by making cash payments of 400,000 dirhams (approximately \$50,000), including 200,000 dirhams (\$24,160) at the signing of the agreement and the remaining 200,000 dirhams (approximately \$24,680) upon approval from the Ministère des Mines (received on November 11, 2011).

A further payment of 400,000 dirhams (approximately \$50,000) is to be paid to the seller, if future exploration work confirms a minimum of 10,000,000 ounces of silver on the property.

Based on an impairment analysis performed and given that no expenses was budgeted in a short-term horizon, this property was considered fully impaired in a previous year.

f) Balance of purchase price payable related to acquisition of Boumadine property

	\$
Balance at December 31, 2015	4,290,268
Accretion expense	238,869
Gain on extinguishment of debt	(709,571)
Foreign exchange	(197,929)
Balance at December 31, 2016	3,621,637
Accretion expense	278,586
Gain on extinguishment of debt	(549,352)
Foreign exchange	86,624
Balance at December 31, 2017	3,437,495
Current portion	1,969,497
Non-current portion	1,467,998

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8. LONG-TERM DEBT

	December 31, 2017	December 31, 2016
	\$	\$
Loan (a)	7,527,000	7,923,834
Obligation under finance lease (b)	193,329	289,188
	7,720,329	8,213,022
Current portion	100,868	96,345
Non-current portion	7,619,462	8,116,677

a) Loan

In September 2015, the Corporation and European Bank for Reconstruction and Development (“EBRD”) signed a loan agreement for \$8,304,000 (US\$6,000,000). The disbursements under the loan was conditional to the closing by the Corporation of an equity financing of a minimum of \$2,416,860 (US\$1,800,000).

In March 2016, the Corporation partially completed the remaining condition for the disbursement of the loan with the closing of an equity financing. The Corporation and European Bank for Reconstruction and Development (“EBRD”) reached an agreement to draw down an initial tranche of \$6,042,150 (US\$4,500,000) of the loan agreement.

In July, 2016, EBRD and the Corporation reached an agreement to draw down the final tranche of \$2,014,050 (US\$1,500,000) of the loan agreement.

In 2016, the Corporation incurred fees amounting to \$130,217.

The financing consists of a loan bearing an 8% interest payable semi-annually on September 30th and March 31st of each year. Additionally, a performance based interest (“PBI”) in the amount equal to 2% of revenues up to US\$26M, 1.5% from US\$26M to US\$35M and 1% above US\$35M, as stated in the most recent annual audited financial statements, payable on May 31st of each year.

The loan contains a market disruption clause that has been identified as an embedded derivative that is not closely related to the host contract. Therefore, such derivative should be accounted for initially and subsequently at each reporting date at fair value, with fair value variations charged to earnings. However, the fair value at inception and as at December 31, 2017 is not significant. The market disruption clause protects EBRD in case of a market disruption event, such event being defined in the loan agreement and being related to the LIBOR rate. If such event occurs, interest shall accrue on the loan at a rate equal to the rate which expresses as a percentage rate per annum the cost to EBRD.

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9. LONG-TERM DEBT (continued)

a) **Loan** (continued)

In November 2016, the Corporation and EBRD agreed to defer the capital payments of the loan for 18 months. The new schedule of capital payments is set out below:

March 31, 2019	US\$ 1,750,000
September 30, 2019	US\$ 1,000,000
March 31, 2020	US\$ 2,000,000
September 30, 2020	US\$ 750,000
March 31, 2021	US\$ 500,000

Under the agreement, the Corporation paid a restructuring fees amounting to \$20,141 (US\$15,000) to EBRD in 2016.

Furthermore, under the agreement 4,000,000 share purchase warrants were issued to EBRD in consideration for restructuring the loan repayment schedule. Each warrant entitles its holder to purchase one additional common share of the Corporation at any time on or before November 2019 at an exercise price of \$0.28. The Corporation may accelerate the expiry time of the warrants if, at any time, the weighted average trading price of the common shares of the Corporation listed on the Exchange is equal to or above \$0.60 per share for a period of 20 consecutive trading days. The fair value of the warrants was estimated using the Black-Scholes option pricing model at the date of issuance and estimated at \$166,800 and was accounted as share-based payments in the consolidated statement of comprehensive loss for the year ended December 31, 2016.

The Corporation used the following weighted average assumptions for this issuance of warrants:

	Year ended December 31, 2016
Exercise price (\$)	0.28
Grant date market price (\$)	0.14
Expected stock option life (years)	3
Expected volatility (%)	65
Risk-free interest rate (%)	0.76
Dividend yield (%)	-

If the Corporation fails to pay when due any amount payable under the loan agreement, the overdue amount shall bear interest at a rate equal to the sum of: (a) 2% per annum, (b) the PBI and (c) the interest rate per annum offered in the London interbank market.

The Corporation shall have the right at any time, on not less than 5 business days' prior notice to EBRD, to repay on any interest payment date, all or any part of the principal amount of the loan then outstanding, providing that:

- (1) EBRD shall have achieved the higher of:
 - (i) an annual internal rate of return of 18% and;
 - (ii) the sum of 2% of the amount of the loan to be prepaid and the accrued PBI for the years immediately preceding and including the year of repayment.
- (2) The Corporation shall pay to EBRD at the same time all accrued interests and other amounts payable on the principal amount of the loan to be prepaid.
- (3) In the case of a partial prepayment, such prepayment shall be in an amount of not less than US\$2,000,000 and shall be applied to prepay the outstanding repayment instalments of the loan in inverse order of maturity.

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9. LONG-TERM DEBT (continued)

a) Loan (continued)

The Corporation at all time after the first anniversary of the loan agreement, shall maintain a ratio on a consolidated basis of:

- (i) Cash available for debt service for the twelve months ending on the date in respect of which the ratio is to be calculated plus opening cash and cash equivalents on the date exactly twelve months preceding the date in respect of which the ratio is to be calculated, to:
- (ii) Debt service during the twelve months ending on the date in respect of which the ratio is to be calculated, of not less than 1.2x.

The corporation maintained above 1.2 during the year ended December 31, 2017.

Under the terms of the agreement, the Corporation shall not enter into any agreement or arrangement to acquire by lease the use of any property or equipment without EBRD's consent.

b) Obligation under finance lease

In December 2015, the Corporation concluded a sale and leaseback transaction whereby it sold mining assets under construction of a net book value of \$418,500 as at transaction date for a consideration of \$418,500 (3,000,000 dirham) and leased back these assets. The lease contract qualifies as a finance lease. Therefore, the assets were recognized in the consolidated statement of financial position with a corresponding finance lease liability. The obligation bears interest at 6.31%, payable in monthly instalments of \$9,371 (70,882 dirham) and maturing in December 2019.

The instalments on debt for the forthcoming years are as follows:

	Loan	Obligation under finance lease
	\$	\$
2018	-	114,395
2019	3,449,875	104,862
2020	3,449,875	-
2021	627,250	-
Total minimum payments	7,527,000	219,257
Amounts included in minimum payments – interest		(25,928)
		193,329

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10. CONVERTIBLE DEBENTURES

	\$
Balance at December 31, 2015	2,800,393
Accretion expense	204,173
Balance at December 31, 2016	3,004,566
Accretion expense	45,434
Repayments	(3,050,000)
Balance at December 31, 2017	-

During the year ended December 31, 2017, all remaining convertible debentures were repaid. Accordingly, the Corporation transferred the balance in equity component of convertible debentures in the consolidated statement of changes in equity, amounting to \$2,013,721, to contributed surplus.

11. ASSET RETIREMENT OBLIGATIONS AND PROVISION FOR ENVIRONMENTAL REMEDIATION

The asset retirement obligations represent the legal and contractual obligations associated with the eventual dismantling of the Corporation's assets. The laws and regulations are continually changing and are generally becoming more restrictive. The Corporation conducts its operations so as to protect public health and the environment.

As at December 31, 2017, the estimated inflation-adjusted discounted cash flows required to settle the asset retirement obligations amounts to \$1,456,059 (\$977,779 in 2016). The discount rate used is 1.86% (1.11% in 2016) and the disbursements are expected to be made in 2028 (2020 in 2016). The corporation updated expected timing of the disbursements to take into account an updated estimated mine line. The estimated undiscounted value of this liability was estimated using an expected value approach which combines probability weighted outcomes for a variety of possible scenarios from an amount of \$1,340,000 to \$1,610,000 (\$867,000 to \$1,040,000 in 2016) and taking into consideration a normal inflation rate over time until 2028, for inflated costs from \$1,595,000 to \$1,910,000.

	Total
	\$
Balance at December 31, 2015	901,363
New obligation	65,308
Accretion expense	11,108
Balance at December 31, 2016	977,779
New obligation	467,372
Accretion expense	10,908
Balance at December 31, 2017	1,456,059

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12. SHARE CAPITAL AND WARRANTS

Authorized

Unlimited number of common shares without par value.

Issuance of securities

2017

In March 2017, the Corporation completed a private placement of 11,538,460 units at \$0.13 per unit for a total cash consideration of \$1,500,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of \$0.20 until September 2018. Expiry time may be accelerated by the Corporation if the Corporations' share trades at \$0.60 or above for 20 consecutive days. Four directors of the Corporation purchased a total of 10,384,616 units. An amount of \$340,188 was allocated to the share purchase warrants.

The fair value of the warrants was determined based on the Black-Scholes option pricing model using an expected volatility of 76%, a risk-free interest rate of 0.87%, and expected dividend yield of 0% and an expected life of 18 months.

2016

The following table details issuance of securities completed during the year ended December 31, 2016:

	Shares issued	Proceeds	Warrant exercise price	Expiry date of warrants
March, 2016 ⁽¹⁾	30,372,500	\$3,644,700	\$0.15	March, 2018
May, 2016 ⁽²⁾	1,800,000	-	-	-
July, 2016 ⁽³⁾	10,300,000	\$1,339,000	\$0.17	June, 2019
Total	42,472,500	\$4,983,700		

- (1) In March 2016, the Corporation closed a non-brokered private placement through the issuance of 30,372,500 units of the Corporation at \$0.12 per unit, for aggregate gross proceeds of \$3,644,700. Each unit consists of one common share of the Corporation and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share of the Corporation at any time on or before March 2018 at an exercise price of \$0.15. An amount of \$523,902 was allocated to the share purchase warrants. The fair value of the warrants was measured based on the Black-Scholes option pricing model using an expected volatility of 68%, a risk-free interest rate of 0.56%, and expected dividend yield of 0% and an expected life of 24 months.
- (2) In May 2016, the Corporation issued in total 1,800,000 common shares, 900,000 common shares to each of the Chief Executive Officer and President, under the share-based awards determined pursuant to the Long-Term incentive plan. The market price of the common shares on May 24, 2016 was \$0.135. The Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares was evaluated based on the market price at the date of grant.
- (3) In July 2016, the Corporation close a non-brokered private placement through the issuance of 10,300,000 units of the Corporation at \$0.13 per unit, for aggregate gross proceeds of \$1,339,000. Each unit consists of one common share of the Corporation and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share of the Corporation at any time on or before June 2019 at an exercise price of \$0.17. An amount of \$253,935 was allocated to the share purchase warrants. The fair value of the warrants was measured based on the Black-Scholes option pricing model using an expected volatility of 68%, a risk-free interest rate of 0.47%, and expected dividend yield of 0% and an expected life of 36 months.

In connection with the private placement, financing costs consisting of cash payments totaled \$144,140.

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12. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Balance, beginning of year	73,586,598	0.24	31,314,098	0.36
Private placements	11,538,460	0.20	40,672,500	0.16
Issuance related to modifications of terms of the loan	-	-	4,000,000	0.28
Exercised	(28,016,217)	0.22	-	-
Expired	-	-	(2,400,000)	0.50
Balance, end of year	57,108,841	0.24	73,586,598	0.24

During the year ended December 31, 2017, 28,016,217 warrants were exercised at a price between \$0.15 and \$0.35 per common share, while the closing market price of the shares was between \$0.20 and \$0.41. As at December 31, 2017, 13,144,514 shares are to be issued

At December 31, 2017, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants			Number of warrants December 31, 2017	Exercise price	Expiry date
	December 31, 2016	Issued	Exercised			
Private placement- September 2015	1,430,000			1,430,000	0.35	July 2018
Broker warrants – September 2015	85,800			85,000	0.35	July 2018
Issuance related to conversion of debentures	27,398,298		(8,095,448)	19,302,850	0.35	July 2018
Private placement – March 2016	30,372,500		(10,690,000)	19,682,500	0.15	March 2018
Private placement – July 2016	10,300,000			10,300,000	0.17	June 2019
Issuance related to modification of terms of the loan	4,000,000			4,000,000	0.28	November 2019
Private placement – March 2017	-	11,538,460	(9,230,769)	2,307,691	0.20	Sept 2018
	73,586,598	11,538,460	(28,016,217)	57,108,041	0.24	

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12. SHARE CAPITAL AND WARRANTS (continued)

Long-term incentive plan ("LTIP")

At the annual shareholders meeting held on June 10, 2011 the shareholders approved the 2011 LTIP in favour of the Chief Executive Officer ("CEO") and the President. These officers are entitled to receive up to an aggregate of 4,000,000 common shares of the Corporation until December 2015 on the basis of certain goals and milestones.

In May 2016, The Corporation issued in total 1,800,000 common shares, 900,000 common shares to each of the CEO and the President. The market price of the common shares on May 24, 2016 was \$0.135. As at December 31, 2017, the Corporation issued a total of 3,518,792 common shares under this plan since its establishment.

13. SHARE PURCHASE OPTIONS

The Corporation has adopted an incentive stock option plan (the "Plan") for its directors, officers, employees and consultants which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the TSXV policies, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares of the Corporation, provided that the number of shares reserved for issuance will not exceed 10,000,000 common shares and that the exercise price of options granted may not be less than the closing price on the day preceding the grant.

The following table sets out the activity in share purchase options:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number	\$ ⁽¹⁾	Number	\$ ⁽¹⁾
Balance, beginning of year	8,210,000	0.40	8,310,000	0.40
Granted	-	-	250,000	0.25
Expired	(1,635,000)	0.37	(350,000)	0.45
Exercised	(200,000)	0.35	-	-
	6,375,000	0.40	8,210,000	0.40

(1) Weighted average exercise price

During the year ended December 31, 2017, 200,000 share purchase options were exercised at a price of \$0.35 per common share, while the closing market price of the shares was \$0.37.

On May 3, 2016, the Corporation granted to a consultant 250,000 share purchase options with a two-year term. The share purchase options are exercisable at \$0.25 per share. The Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares was evaluated based on the market price at the date of grant. The options vested at the date of grant. The weighted average fair value of \$0.04 of the 250,000 share purchase options granted was estimated using the Black-Scholes option pricing model at the date of issuance.

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13. SHARE PURCHASE OPTIONS (continued)

The Corporation used the following weighted average assumptions for all 2016 issuance of options:

	Year ended December 31, 2016
Exercise price (\$)	0.25
Grant date market price (\$)	0.15
Expected stock option life (years)	2
Expected volatility (%)	73
Risk-free interest rate (%)	0.55
Dividend yield (%)	-

The Corporation currently estimates the expected volatility of its common shares based on its historical information over the expected life of the options

The following table reflects the share purchase options issued and outstanding at December 31, 2017:

Issue date	Number of options	Exercise price	Remaining contractual life (years)	Number of options Options exercisable
	Number	\$	Number	Number
March 2013	3,275,000	0.35	0.10	3,275,000
July 2013	150,000	0.35	0.50	150,000
May 2014	2,700,000	0.50	1.30	2,700,000
May 2016	250,000	0.25	0.30	250,000
	6,375,000	0.40	0.62	6,375,000
Weighted average exercise price (\$)		0.40		

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14. ADDITIONAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS

Management and administration expense

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Salaries and benefits	313,933	573,261
Consulting fees	177,207	151,048
Share-based payments	-	251,800
Office	168,178	323,580
Professional fees	604,993	142,282
Reporting issuer costs	48,044	43,038
	1,312,355	1,485,009

Finance expense

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Interest expense	61,714	586,825
Long-term debt and debentures fees	-	38,922
Accretion expense	341,396	454,150
	403,110	1,079,897

Expenses recognized for employee benefits are analysed below:

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Salaries and bonuses	2,296,475	2,794,096
Fringe benefits costs	626,704	887,210
Post-employment benefits and short-term employee benefits (note 21)	91,839	80,361
Post-employment benefits from government plans	99,534	88,130
Share-based payments	-	251,800
	3,114,552	4,101,597

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15. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Loss before income tax	(1,779,447)	(4,350,925)
Tax using the Corporation's domestic tax rate of 26.8% (2016 – 26.9%)	(476,892)	(1,170,399)
Share-based payments	-	2,152
Effect of tax rate in foreign jurisdictions	(25,706)	(49,941)
Change in deferred tax rate	-	57,700
Non-deductible expenses	(49,769)	(9,048)
Unrecognized tax assets	116,016	555,065
Expiration of tax losses	8,779	72,682
Foreign exchange	149,574	311,786
Withholdings and minimum tax	383,165	178,110
Other	277,998	230,003
Income tax	383,165	178,110

The applicable statutory tax rates are 26.8% (2016 – 26.9%). The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are as follows:

	December 31, 2017	December 31, 2016
	\$	\$
Non-capital loss carry-forwards	16,117,741	15,579,399
Property, plant and equipment	572,736	571,981
Exploration and evaluation assets	10,141,470	10,141,470
Share issue costs	301,746	451,434
Unrealized capital loss	82,968	184,500
Credit facility	-	260,951
Capital loss	574,659	625,567
	27,791,319	27,815,302

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15. INCOME TAXES (continued)

Recognized deferred tax assets and liabilities are as follows:

	December 31, 2016	Recognized in profit or loss	Recognized in equity	December 31, 2017
	\$	\$	\$	\$
Non-capital loss carry-forwards	116,165	46,904	-	163,069
Property plant and equipment	35,558	616	-	36,174
Balance of purchase price payable	(104,165)	(58,904)	-	(163,069)
Debentures	(12,000)	12,000	-	-
Exploration and evaluation assets	(35,558)	(616)	-	(36,174)
	-	-	-	-

	December 31, 2015	Recognized in profit or loss	Recognized in equity	December 31, 2016
	\$	\$	\$	\$
Non-capital loss carry-forwards	67,000	49,165	-	116,165
Property plant and equipment	37,522	(1,964)	-	35,558
Balances of purchase price	-	(104,165)	-	(104,165)
Debentures	(67,000)	55,000	-	(12,000)
Exploration and evaluation assets	(37,522)	1,964	-	(35,558)
	-	-	-	-

Non-capital losses available in Canada expire as follows:

	Canada
	\$
2027	1,000
2028	368,832
2029	846,067
2030	1,311,851
2031	1,908,529
2032	1,490,100
2033	1,041,083
2034	2,632,331
2035	1,654,743
2036	551,793
2037	500,254
	12,306,583

As at December 31, 2017, the Corporation had unused tax losses in Morocco of \$3,332,875 (\$2,510,373 in 2016) expiring from 2018 to 2021 as well as unused tax losses in Mexico of \$478,284 (\$478,284 in 2016).

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16. CAPITAL MANAGEMENT

The Corporation defines capital as equity, long-term debt and convertible debentures in 2016. When managing capital, the Corporation's objectives are:

- a) to ensure the Corporation continues as a going concern;
- b) to increase the value of the Corporation's assets; and
- c) to achieve optimal returns to shareholders.

These objectives will be achieved by identifying the right exploration and evaluation projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and evaluation and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management team to sustain the future development of the business. As at December 31, 2017, capital is \$26,005,406 (\$23,876,369 as at December 31, 2016). Management reviews its capital management approach on an ongoing basis and believes that this approach is appropriate given the relative size of the Corporation. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2017.

17. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the year ended December 31, 2017 in 2016. The classification of financial instruments is summarized as follows:

	Classification	As at December 31, 2017	As at December 31, 2016
Financial assets			
Cash	Loans and receivables	7,063,991	4,266,854
Accounts receivable	Loans and receivables	16,854	-
Advance to related parties	Loans and receivables	-	80,477
Restricted investment	Loans and receivables	10,000	20,000
		7,090,845	4,367,331
Financial liabilities			
Accounts payable and accrued liabilities (except salaries and employee benefits)	Financial liabilities at amortized cost	4,606,400	2,294,657
Interest and net profit interest to a related party	Financial liabilities at amortized cost	498,176	607,324
Balance of purchase price payable	Financial liabilities at amortized cost	3,437,495	3,621,637
Loan	Financial liabilities at amortized cost	7,527,000	7,923,834
Convertible debentures	Financial liabilities at amortized cost	-	3,004,566
		16,069,071	17,452,018

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17. FINANCIAL RISK MANAGEMENT (continued)

The Corporation's main financial risks exposure and its financial risks management policies are as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Corporation's financial assets exposed to credit risk are primarily composed of cash, restricted investment and advance to related parties. The Corporation's cash and restricted investment are mostly held with a chartered Canadian bank and a French bank. These financial institutions have a good credit rating. Advance to related parties is continually monitored to ensure its collection and was repaid in 2017. Therefore, credit risk is not considered significant.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Over the period, the Corporation generates cash flow from its financing activities and from the sales realized at the Zgounder mine during the development phase. The amounts of royalties payable are settled no later than June 30 of the subsequent reporting period. As at December 31, 2017, the Corporation's working capital totals \$3,135,362 (negative working capital of \$1,833,069 as at December 31, 2016). Current liabilities of \$7,584,930 (\$9,413,527 as at December 31, 2016) are due within the next 12 months. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2017:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payable and accrued liabilities (except salaries and employee benefits)	4,606,400	4,606,400	4,606,400	-	-
Interest and net profit interest due to a related party	498,176	498,176	498,176	-	-
Balance of purchase price	3,437,495	4,169,190	2,151,840	-	2,017,350
Loan	7,527,000	8,917,399	612,286	3,972,869	4,332,244
Obligation under finance lease	193,329	219,257	114,395	104,862	-
	16,262,400	18,410,422	7,983,097	4,077,731	6,349,594

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17. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2016:

	Carrying amount \$	Contractual cash flows \$	0 to 12 months \$	12 to 24 months \$	More than 24 months \$
Accounts payable and accrued liabilities (except salaries and employee benefits)	2,294,657	2,294,657	2,294,657	-	-
Interest and net profit interest due to a related party	607,324	607,324	607,324	-	-
Balance of purchase price	3,621,637	4,098,200	2,776,200	1,322,000	-
Loan	7,923,834	12,791,097	1,047,843	1,375,999	10,367,255
Obligation under finance lease	289,188	327,970	112,447	112,447	103,076
Convertible Debentures	3,004,566	3,050,000	3,050,000	-	-
	17,741,206	23,169,248	9,888,471	2,810,446	10,470,331

Currency risk

In the normal course of operations, the Corporation is exposed to currency risk due to business transactions in foreign countries denominated in a currency other than the functional currency of each entity in the group, being the Canadian dollar for all the entities within the consolidated group except for CMMM and ZMSM for which the functional currency is the Moroccan dirham. The Corporation has not entered into any derivative contracts to manage this risk. Transactions related to the Corporation's exploration and evaluation activities are mainly denominated in Moroccan dirham. Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are as follows:

December 31, 2017

	CA dollars	US dollar	Dirham	Total
Cash	-	1,869,934	-	1,869,934
Accounts receivable	-	12,337	-	12,337
Accounts payables and accrued liabilities	-	(602,284)	(158,101)	(760,385)
Interest and net profit interest due to a related party	-	-	(498,176)	(498,176)
Loan	-	(7,527,000)	-	(7,527,000)
Intercompany loans	(5,109,850)	-	7,910,189	2,800,339
Balance of purchase price payable	-	-	(3,437,495)	(3,437,495)
	(5,109,850)	(6,247,013)	3,816,417	(7,540,446)

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17. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

December 31, 2016

	US dollar	Dirham	Total
Cash	2,926,881	-	2,926,881
Accounts payables and accrued liabilities	(779,479)	(155,397)	(934,876)
Interest and net profit interest due to a related party	-	(607,324)	(607,324)
Loan	(7,923,834)	-	(7,923,834)
Obligation under capital lease	-	(289,188)	(289,188)
Balance of purchase price payable	-	(3,621,637)	(3,621,637)
	(5,776,432)	(4,673,546)	(10,449,978)

The impact on comprehensive loss and equity of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances at December 31, 2017 would be approximately \$754,045 (\$1,044,998 in 2016).

Interest rate risk

The Corporation's current policy is to invest excess cash in guaranteed investment certificates or interest bearing accounts with Canadian chartered banks. The Corporation regularly monitors compliance to its cash management policy.

Interest rate fair value risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Long-term debt (except obligation under finance lease) bears interest at a fixed rate, thus exposing the Corporation to the risk of changes in fair value arising from interest fluctuations. Because these financial assets are recognized at amortized cost, the fair value variation has no impact on profit or loss. The loan's PBI exposes the Corporation to the risk of fluctuations in cash flows arising from fluctuations in revenues.

Fair value of financial instruments

Current financial instruments that are not measured at fair value on the consolidated statement of financial position are represented by cash, accounts receivable, advance to related parties, restricted investment, accounts payable and accrued liabilities (except salaries and employee benefits) and interest and net profit interest payable to a related party. Their carrying values are considered to be a reasonable approximation of their fair value because of their short-term maturity and /or contractual terms of these instruments.

The fair value of the balance of purchase price for the acquisition of the Boumadine property and the loan is not materially different from their carrying value because there was no material change in the assumptions used for fair value determination at inception. Therefore, its principal amount approximates its fair value.

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17. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the consolidated statement of financial position at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following tables provide information about financial assets and liabilities measured at fair value and those measured at amortized cost for which the fair value is disclosed in the consolidated statement of financial position and categorized by level according to the significance of the inputs in making the measurements.

December 31, 2017

Recurring measurements	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Balance of purchase price payable	-	-	3,437,495	3,437,495
Loan	-	-	7,527,000	7,527,000
	-	-	10,964,495	11,513,847

December 31, 2016

Recurring measurements	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Balance of purchase price payable	-	-	(3,621,637)	(3,621,637)
Loan	-	-	(7,923,834)	(7,923,834)
Convertible debentures	-	-	(3,004,566)	(3,004,566)
	-	-	(14,550,037)	(14,550,037)

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1, Level 2 and Level 3.

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18. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Changes in working capital items		
Accounts receivable	(16,854)	-
Sales taxes receivable	(555,527)	(216,724)
Inventories	(53,391)	(339,892)
Advance to related parties	(31,044)	69,282
Prepaid expenses and security deposits	340,472	2,402
Accounts payable and accrued liabilities	9,921	(879,351)
Non-refundable deposit to suppliers	536,041	(514,015)
	229,618	(1,878,298)

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$

Non-cash transactions

Asset retirement obligations recorded in property, plant and equipment (Note 11)	467,372	65,308
Additions of property, plant and equipment not paid	4,109,696	2,302,553

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$

Interest paid, included in operating activities	68,182	625,747
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19. COMMITMENTS AND GUARANTEES

Lease agreement

As at December 31, 2017, the Corporation had a commitment under the terms of a lease for office premises and office equipment ending in May 2018 of \$12,440.

Rent expenses for the year ended December 31, 2017 amount to \$29,856 (\$90,110 in 2016).

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

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19. COMMITMENTS AND GUARANTEES (continued)

In addition of the commitments disclosed in Note 8, the Corporation has the following commitments regarding its properties:

Royalties

As per terms of property purchase agreements, the Corporation is also committed to pay the following royalties:

- 2.5% net smelter royalty ("NSR") on the Amizmiz property and an 8 km radius area of interest;
- 2.5% royalty on revenue from the Azegour property;
- 2.0% NSR on the La Campaña property.
- 3.0% royalty to ONHYM on revenue from the Zgounder property (2,474,108 dirhams (\$330,769) for the year ended December 31, 2017) (2,456,825 dirhams (\$331,917) for the year ended December 31, 2016)
- 3.0% royalty to ONHYM on revenue from the Boumadine property

Net profit interest

Zgounder

The Board adopted a resolution approving the payment to Global Works, Assistance and Trading S.A.R.L. ("Glowat"), a related party, of a net-profit interest equal to 5% of "the gross revenues generated from the operations of the Zgounder silver mine, less mining and milling costs". (See Note 20).

Letter of credit

Zgounder

ZMSM has letters of credit amounting to nil (\$1,608,763 (US\$1,198,155) as at December 31, 2016) with suppliers and bank guarantees of nil (\$313,076 (2,368,200 dirham) as at December 31, 2016).

20. RELATED PARTY TRANSACTIONS

In the normal course of operations, for the years ended December 31, 2017 and 2016:

- Glowat, a private company owned by a party related to an officer and director of the Corporation, charged as part of a project management agreement, management and service fees of \$nil which were capitalized to exploration and evaluation assets (2016 - \$19,454), a net profit interest expense of \$433,437 (2016 - \$454,711) and interest of \$nil (2016 - \$167,651);
- A firm, of which a director of the Corporation is a partner, charged professional fees amounting to \$61,019 recorded as professional fees and \$48,475 as issuance cost of shares and debt. (\$28,838 in 2016 recorded as professional fees and \$84,845 as issuance cost of shares and debt);
- A company controlled by a director of the Corporation, charged fees of \$nil recorded as consulting fees in 2017 (\$4,500 in 2016);

As at December 31, 2017, the Corporation had advanced an amount of \$4,515 (\$80,477 in 2016) to officers who are also directors of the Corporation. These advances are non-interest bearing and repayable on demand.

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20. RELATED PARTY TRANSACTIONS (Continued)

As at December 31, 2017, the Corporation has a liability to Glowat amounting to \$498,176 (4,314,414 dirham) (\$607,324 (4,593,979 dirham) as at December 31, 2016). During the year ended December 31, 2016, the Corporation paid \$4,862,143 to Glowat as repayment of promissory note and accrued interest.

As at December 31, 2017, the balance due to the related parties (excluding the amounts due to Glowat and its creditors which are presented separately in the consolidated statement of financial position under "Interest and net profit interest payable to a related party") amounted to \$30,512 (\$80,166 in 2016) recorded in accounts payable and accrued liabilities.

In March 2017, a director of the Corporation acquired a portion of the interest and net profit interest payable owed to Glowat and its creditors for an amount of \$300,000 equivalent to the net book of this portion. The Corporation repaid in full the debt in March 2017.

In March 2016, a director of the Corporation acquired a portion of the demand promissory note owed to Glowat and its creditors for an amount of \$2,000,000 equivalent to the net book of this portion. The Corporation repaid entirely the debt to this director in March 2016.

In April 2016, the Corporation paid an amount of \$1,291,700 (US\$1,000,000) to Glowat and its creditors as a partial repayment of the demand promissory note.

In August 2016, the Corporation paid an amount of \$1,311,283 (US\$1,000,000) to Glowat and its creditors as a partial repayment of the demand promissory note.

Remuneration of key management personnel of the Corporation

Key management includes members of the Board of Directors and executive officers of the Corporation consisting of the Chief Executive Officer, President and Chief Financial Officer. The remuneration awarded to key management personnel is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
	\$	\$
Director fees	52,582	53,000
Salaries	387,434	623,180
Consulting fees	470,296	258,138
Share-based payments	-	251,800
	910,312	1,186,118

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21. POST-EMPLOYMENT BENEFITS

The Corporation provides post-employment benefits through a multi-employer defined plan: Caisse Interpersonnelle Marocaine des Retraites (CIMR). Under this plan, the Corporation pays contribution, established based on 5.85% of employee's salary. Employees' contribution to this plan are established at 4.5% of their salary (see note 14).

22. CONTINGENCY

On July 2014, Société d'Exploration Géologique des Métaux ("SEGM") filed a lawsuit against the wholly-owned subsidiary of the Corporation in Morocco, alleging that SEGM, beneficiary of a 2.5% net smelter return royalty on the Amizmiz property, suffered damage resulting from the Corporation not started production at Amizmiz property. The Corporation is of the position that it has complied with all of its obligations and has made all requested work on the property. At this stage, the results of the work programs concluded do not justify the start of production on the Amizmiz property. The Corporation contested this lawsuit, which it considered unfounded. The Corporation also has filed a counterclaim against SEGM, alleging that the acquisition of this property was made on the basis of a technical report delivered by SEGM that was misleading as to the advancement of the work programs on the property. The Corporation claims reimbursement for all expenses incurred on the Amizmiz property.

In 2016 the court rejected the SEGM claim and ask to both parties to find an agreement. Later in 2016, SEGM appeals and the case is currently under review by the Cessation Court for final decision.

23. EVENTS AFTER THE REPORTING DATE

On January 9, 2018, the Corporation paid the third payment amounting to 6,000,000 dirhams (\$809,607) in relation to the Boumadine Projet to ONHYM.

Since December 31, 2017, 27,031,070 share purchase warrants and 4,287,500 share purchase options were exercised for total aggregate value of \$7,035,124.

On February 27, 2018, issued and outstanding Common Shares of the Corporation have been consolidated on the basis of one post-consolidation Common Share for every four pre-consolidation Common Shares. Outstanding stock options and share purchase warrants of the Corporation have also been adjusted by the equivalent consolidation ratio and the respective exercise prices adjusted accordingly.

On April 13, 2018, the Corporation closed a non-brokered private placement of \$28,397,000 through the issuance of 34,420,608 (8,605,152 post-consolidation) common shares, at a price of \$0.83 (\$3.30 post-consolidation) per common share.