



CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

In Canadian dollars



Raymond Chabot Grant Thornton

Independent Auditor's Report

To the Shareholders of
Maya Gold and Silver Inc.

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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, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in equity and 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, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP¹

Montréal
April 28, 2016

¹ CPA auditor, CA public accountancy permit no. A127023

Maya Gold & Silver Inc.

Consolidated Statements of Financial Position

(in Canadian dollars)

	December 31, 2015	December 31, 2014
	\$	\$
ASSETS		
Current		
Cash	376,327	2,138,588
Marketable securities (Note 5)	51,776	112,839
Derivative financial instruments (Note 10)	-	106,012
Sales taxes receivable	869,690	419,891
Inventories (Note 6)	1,703,736	1,053,611
Prepaid expenses and security deposits	346,705	526,729
	3,348,234	4,357,670
Non-current		
Restricted investment (Note 7)	20,000	20,000
Advance to related parties (Note 21)	92,881	267,817
Property, plant and equipment (Note 8)	20,755,099	19,158,950
Exploration and evaluation assets (Note 9)	4,551,431	4,551,431
TOTAL ASSETS	28,767,645	28,355,868
LIABILITIES		
Current		
Accounts payable and accrued liabilities	3,560,024	1,619,408
Demand promissory note due to a related party (Note 21)	4,724,315	4,183,542
Balances of purchase price payable (Note 9)	4,290,268	2,667,069
Provision for environmental remediation (Note 12)	-	150,000
Long-term debt (Note 10)	925,213	2,523,575
Convertible debentures (Note 11)	45,908	474,951
Derivative financial instruments (Note 10)	-	5,400
	13,545,728	11,623,945
Non-current		
Long-term debt (Note 10)	323,535	-
Balances of purchase price payable (Note 9)	-	1,074,831
Asset retirement obligations (Note 12)	901,363	845,548
Convertible debentures (Note 11)	2,754,485	8,368,816
TOTAL LIABILITIES	17,525,111	21,913,140
EQUITY		
Share capital (Note 13)	41,265,911	29,641,702
Share purchase warrants (Note 13)	2,095,215	-
Share purchase options (Note 14)	1,832,830	1,925,482
Equity component of convertible debentures (Note 11)	2,013,721	1,297,543
Contributed surplus	4,225,842	4,036,692
Deficit	(39,167,625)	(30,431,465)
Accumulated other comprehensive loss	(1,023,360)	(27,226)
TOTAL EQUITY	11,242,534	6,442,728
TOTAL LIABILITIES AND EQUITY	28,767,645	28,355,868

Going concern (Note 2), Commitments and guarantees (Note 20), Contingency (Note 23), Event after the reporting date (Note 24)

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

On behalf of the Board,

/s/ Guy Goulet

Guy Goulet, CEO and Director

/s/ R. Martin Wong

R. Martin Wong, Director

Maya Gold & Silver Inc.

Consolidated Statements of Comprehensive Loss

(in Canadian dollars)

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Expenses and other items		
Management and administration (Note 15)	1,121,168	2,226,390
Investor relations and corporate development	285,420	414,223
Impairment of exploration and evaluation assets (Note 9)	-	9,506,435
Loss (gain) on foreign exchange	(1,227,186)	869,263
Operating loss	179,402	13,016,311
Royalties	267,328	-
Change in fair value and impairment of marketable securities (Note 5)	106,270	4,352
Change in fair value of derivative financial instruments (Note 10)	78,712	(51,331)
Finance expense (Note 15)	2,061,029	2,320,569
Effect of convertible debentures modifications (Note 11c)	5,625,000	-
Loss before income taxes	8,317,741	15,289,901
Deferred income tax expense (recovery) (Note 16)	338,220	(433,576)
Net loss	8,655,961	14,856,325
Other comprehensive loss		
Items that will be subsequently reclassified to net loss		
Foreign currency translation of foreign subsidiaries	1,041,341	(7,596)
Change in fair value of marketable securities– shares (Note 5)	46,155	58,382
Impairment of marketable securities shares – reclassification to net loss	(91,362)	-
	996,134	50,786
Comprehensive loss	9,652,095	14,907,111
Basic and diluted net loss per common share	0.07	0.13
Weighted average number of shares – basic and diluted	137,197,530	118,228,153

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 purchase warrants	Share purchase options	Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
		\$	\$	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2015	122,603,474	29,641,702	-	1,925,482	1,297,543	4,036,692	(30,431,465)	(27,226)	6,442,728
Issuance of units (Note 13)	6,230,000	1,423,066	177,334	-	-	-	-	-	1,600,400
Share issue costs	-	-	-	-	-	-	(80,199)	-	(80,199)
Effect of convertible debentures modifications (Note 11c)	-	-	-	-	5,625,000	-	-	-	5,625,000
Conversion of debentures (Note 11)	26,607,143	9,898,932	1,862,500	-	(5,247,042)	-	-	-	6,514,390
Deferred income tax	-	-	-	-	338,220	-	-	-	338,220
Conversion of interest (Note 11)	1,126,499	233,211	55,381	-	-	-	-	-	288,592
Shares issued as bonus to a director and officer (Note 13)	300,000	69,000	-	-	-	-	-	-	69,000
Share purchase options expired	-	-	-	(189,150)	-	189,150	-	-	-
Share-based payments (Note 14)	-	-	-	96,498	-	-	-	-	96,498
	156,867,116	41,265,911	2,095,215	1,832,830	2,013,721	4,225,842	(30,511,664)	(27,226)	20,894,629
Net loss for the year	-	-	-	-	-	-	(8,655,961)	-	(8,655,961)
Other comprehensive loss	-	-	-	-	-	-	-	(996,134)	(996,134)
Comprehensive loss for the year	-	-	-	-	-	-	(8,655,961)	(996,134)	(9,652,095)
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
Balance as at January 1, 2014	115,848,759	26,806,931	796,991	1,418,154	264,511	3,617,095	(15,492,933)	23,560	17,434,309
Shares issued under long term incitative plan ("LTIP") (Note 13)	600,000	258,000	-	-	-	-	-	-	258,000
Equity component of convertible debentures (Note 11)	-	-	-	-	1,413,860	-	-	-	1,413,860
Deferred income tax on equity component of convertible debentures and expired warrants	-	-	-	-	(380,828)	(52,748)	-	-	(433,576)
Share issue costs	-	-	-	-	-	-	(82,207)	-	(82,207)
Share purchase warrants exercised (Note 13)	6,029,715	2,511,496	(401,096)	-	-	-	-	-	2,110,400
Exercise of share purchase options (Note 14)	125,000	65,275	-	(26,525)	-	-	-	-	38,750
Share purchase options expired	-	-	-	(76,450)	-	76,450	-	-	-
Share purchase warrants expired	-	-	(395,895)	-	-	395,895	-	-	-
Share-based payments (Note 14)	-	-	-	610,303	-	-	-	-	610,303
	122,603,474	29,641,702	-	1,925,482	1,297,543	4,036,692	(15,575,140)	23,560	21,349,839
Net loss for the year	-	-	-	-	-	-	(14,856,325)	-	(14,856,325)
Other comprehensive income	-	-	-	-	-	-	-	(50,786)	(50,786)
Comprehensive loss for the year	-	-	-	-	-	-	(14,856,325)	(50,786)	(14,907,111)
Balance as at December 31, 2014	122,603,474	29,641,702	-	1,925,482	1,297,543	4,036,692	(30,431,465)	(27,226)	6,442,728

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, 2015	Year ended December 31, 2014
Cash flows provided by (used in)	\$	\$
OPERATING ACTIVITIES		
Net loss	(8,655,961)	(14,856,325)
Adjustments for non-cash items		
Share-based payments (Note 14)	165,498	868,303
Impairment of exploration and evaluation assets (Note 9)	-	9,506,435
Finance expense	734,659	1,150,051
Deferred income tax expense (recovery)	338,220	(433,576)
Unrealized loss (gain) on foreign exchange	(1,642,039)	416,247
Change in fair value of marketable securities – subscription shares	106,270	4,352
Effect of convertible debentures modifications	5,625,000	-
Change in fair value of derivative financial instruments	78,712	(51,331)
Changes in working capital items (Note 19)	(281,525)	(1,265,502)
	(3,531,166)	(4,661,346)
INVESTING ACTIVITIES		
Payment of balances of purchase price payable	-	(2,756,844)
Acquisition of property, plant and equipment	(3,452,597)	(4,270,864)
Silver sales	5,150,424	1,790,235
Additions of exploration and evaluation assets	-	(195,785)
	1,697,827	(5,433,258)
FINANCING ACTIVITIES		
Demand promissory note due to a related party	151,629	(6,709)
Issuance of shares, warrants and options, net of issue costs	1,520,201	-
Credit facility	(2,044,452)	2,045,339
Proceeds from disposal of equipment	443,700	-
Exercise of warrants and options	-	2,149,150
Issuance of convertible debentures, net of issue costs	-	7,888,002
	71,078	12,075,782
Net increase (decrease) in cash	(1,762,261)	1,981,178
Cash, beginning of year	2,138,588	157,410
Cash, end of year	376,327	2,138,588

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

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (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 207, 10 de la Seigneurie Blvd. East, Blainville, 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 regard to its Zgounder property, Maya has entered, in the second quarter of 2014, into the development phase and has commenced the commissioning activities 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, Zgounder Millenium Silver Mining S.A., owned at 85% by the Corporation and 15% by L’Office National des Hydrocarbures et des Mines (“ONHYM”).

In regard of 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 those projects and upon future profitable production from these projects or sufficient proceeds from their disposal thereof. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

2. GOING CONCERN

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. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Corporation’s ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

2. GOING CONCERN (continued)

For the year ended December 31, 2015, the Corporation reported a net loss of \$8,655,961 (\$14,856,325 in 2014) and a comprehensive loss of \$9,652,095 (\$14,907,111 in 2014) and has an accumulated deficit of \$39,167,625 at December 31, 2015 (\$30,431,465 as at December 31, 2014). As at December 31, 2015, the Corporation had a negative working capital of \$10,197,494 (\$7,266,275 at December 31, 2014), including cash of \$376,327 (\$2,138,588 as at December 31, 2014). Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted expenditures through December 31, 2016. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its existing commitments, 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. Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity, debt financing or other means. During the year ended December 31, 2015, the Corporation closed a US\$6,000,000 loan, raised \$1,600,400 from the issuance of units (in 2014, closed a US\$3,500,000 credit facility, raised \$8,300,000 from unsecured convertible debentures and \$2,149,150 from exercise of share purchase warrants and options) to finance exploration and evaluation programs, development of a mining property and for general corporate purposes. Subsequent to December 31, 2015, the Corporation raised \$3,644,700 from issuance of units and drew down US\$4,500,000 from its debt agreement that was closed in 2015. The disbursement of the loan was conditional to the equity financing which was only partially completed subsequent to year end.

While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts eventually realized for assets might be less than amounts reflected in these consolidated financial statements.

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 of 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 IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. 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 Corporation's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICIES (continued)

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 will evaluate the impact of adopting IFRS 15 in its consolidated financial statements in future periods.

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.

Amendments to IAS 1, Presentation of Financial Statements (“IAS 1”)

The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016. The Corporation is in the process of evaluating the impact of these amendments on its consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

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 28, 2016.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the marketable securities and derivative financial instruments, which are measure at fair value. The Corporation has elected to present the consolidated statement of comprehensive loss in a single statement.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 directly CMMM which owns 85% of ZMSM.

No dividend was paid to the non controlling interests in 2015 and 2014.

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.

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 income (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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Marketable securities – shares	Available for sale investments
Marketable securities – subscription shares	Financial asset with variations in fair value charged to profit or loss
Derivative financial instruments	Financial asset with variations in fair value charged to profit or loss
Advance to related parties	Loans and receivables
Restricted investment	Loans and receivables
Financial liabilities	
Accounts payable and accrued liabilities (except salaries and employee benefits)	Financial liabilities at amortized cost
Demand promissory note due to a related party	Financial liabilities at amortized cost
Credit facility	Financial liabilities at amortized cost
Loan	Financial liabilities at amortized cost
	Financial liabilities with variations in fair value charged
Derivative financial instrument	to profit or loss
Balances 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.

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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

ii) Available for sale investments

Available for sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statement of comprehensive loss as part of interest income.

iii) Financial asset and liability with variations in fair value charged to profit or loss

Financial assets with variations in fair value charged to profit or loss include marketable securities – subscription shares held as investment and quoted in an active market. The Corporation also held derivative financial instruments to hedge its risk exposure to fluctuations of silver price. All of these instruments not designated as a hedge relationship are classified as financial asset with variations in fair value charged to profit or loss. Financial liability with variations in fair value charged to profit and loss includes separable embedded derivatives classified as held-for-trading.

Such assets and liabilities are initially recognized at fair value with transactions costs charged to profit or loss. Subsequent to initial recognition, these assets and liabilities are recorded at fair value and unrealized gain or loss related to changes in fair value is reported under change in fair value of marketable securities – subscription shares and under change in fair value of derivative financial instruments in the consolidated statement of comprehensive loss.

iv) 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.

v) 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.

For the financial assets available for sale, the impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statement of comprehensive loss. Impairment losses on available-for-sale equity financial asset may not be reversed.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

vi) 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.

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 process, 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 8).

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Prior to achieving commercial production, net proceeds from metal sales are offset against mining assets under construction in property, plant and equipment (Note 8).

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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

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 9) and any impairment loss is recognized in profit or loss before reclassification.

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, 2015, 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, since the second quarter of 2014, 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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets under construction consist of items of property, plant and equipment in the course of construction or mineral properties in the course of development, including those transferred upon completion of the exploration and evaluation phase. 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.

Mining properties

Mining properties consist of costs transferred from 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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Amortization (continued)

Each asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, at least on an annual basis. The Corporation has applied the following estimated useful lives:

	Method	Rate
Office furniture	Straight-line	20%
Exploration and evaluation equipment	Straight-line	20%
Vehicles	Straight-line	30%
Computer equipment	Straight-line	30%

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.

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 area of interests, 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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Provisions are measured at management's best estimate of the expenditure 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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 are 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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 unrealized gains and losses on available-for-sale financial asset net of relevant income taxes and the impact of converting the account of the Corporation's foreign subsidiaries into Canadian dollars. Contributed surplus includes charges related to share 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.

Segmented information

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

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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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.

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that 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.

Impairment of available for sale investments

The Corporation follows the guidance of IAS 39, *Financial instruments: recognition and measurement* to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement in evaluating if a decline in fair value is significant or prolonged, which triggers an impairment loss. Management defines a significant decline as a decrease of at least 50% of its fair value and a prolonged decline as a decline under its cost for over two (2) consecutive fiscal periods.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

Critical judgments in applying accounting policies (continued)

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.

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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Estimation uncertainty (continued)

Provision for environmental remediation

The Corporation's is committed to carry out environmental work to improve certain aspects of the existing situation at the acquisition date 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.

Since the Zgounder property reached the development stage in 2014, an impairment test was performed at the transition date and as at December 31, 2014 and 2015, following indication of impairment. 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. However, given that no substantive expenditures on further exploration and evaluation of mineral resources in a specific area is budgeted on a short-term horizon, the Corporation recognized an impairment charge related to Amizmiz, Azegour and permit 233263 properties of \$9,506,435 in 2014. Since Boumadine is a recent acquisition and that management maintains its intention to respect its commitments to obtain the legal title and to address an exploration program on that property as soon as the Corporation will secure the required financing, no impairment charge was judged required for that property even if all the required payments were not yet completed as at Decemebr 31, 2015 as per the agreement. Furthermore, the Corporation had negotiation with ONHYM at the end of 2015 to postpone the remaining required payments as confirmed subsequent to year end as described in Note 9.

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Notes to Consolidated Financial Statements
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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Estimation uncertainty (continued)

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.

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. MARKETABLE SECURITIES

As at December 31, 2015, the Corporation owns 49,266 ordinary shares of Duke Royalty Ltd. (“Duke”) (formerly Praetorian Resources Inc.) (985,315 ordinary shares and 1,092,657 subscription shares – as at December 31, 2014) and the adjusted cost is \$1.32 per share (\$3.17 for ordinary shares and cost of nil for subscription shares – as at December 31, 2014). Duke made a share consolidation on a 20-for-1 basis in 2015. The 1,092,657 subscription shares expired in 2015.

The fair value of the ordinary shares held as at December 31, 2015 was established using the closing market price at that date (£0.515 or \$1.051) (£1.10 or \$1.98 for ordinary shares and £0.008 or \$0.01 for subscription shares as at December 31, 2014). The changes in fair value of marketable securities held were as follows:

	\$
Balance at December 31, 2013	175,573
Change in fair value – ordinary shares	(58,382)
Change in fair value - subscription shares	(4,352)
Balance at December 31, 2014	112,839
Change in fair value – ordinary shares	(46,155)
Change in fair value - subscription shares	(14,908)
Balance at December 31, 2015	51,776

In 2015, the Corporation recognized an impairment charge related to the shares of \$91,362. The subscription shares expired in 2015.

Maya Gold & Silver Inc.

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6. INVENTORIES

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Mining supplies	483,317	549,704
Precious metals	916,865	365,668
Ore	303,554	138,239
	1,703,736	1,053,611

In 2015, a total of \$ 3,446,114 (\$1,238,470 in 2014) of inventories, corresponding to the production cost, were included in mining assets under construction in property, plant and equipment (Note 8).

7. RESTRICTED INVESTMENT

As at December 31, 2015, an amount of \$20,000 (\$20,000 as at December 31, 2014) 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% (1% as at December 31, 2014), maturing in September 2016 and redeemable at any time. This investment is automatically renewed at each anniversary date. Therefore, it is presented as long-term.

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8. PROPERTY, PLANT AND EQUIPMENT

	Computers, equipment and office furniture	Exploration and evaluation equipment	Buildings and equipment related to mining production	Mining assets under construction	Vehicles	Total
	\$	\$	\$		\$	\$
Cost						
Balance at January 1, 2014	71,074	465,687	7,580,400	-	79,668	8,196,829
Additions	-	-	-	4,885,720	-	4,885,720
Silver sales	-	-	-	(1,790,235)	-	(1,790,235)
Reclassifications	-	-	(7,580,400)	7,580,400	-	-
Transfer from E&E assets	-	-	-	8,552,943	-	8,552,943
Changes in asset retirement obligations	-	-	-	192,323	-	192,323
Foreign exchange	(594)	(556)	-	(262,201)	(960)	(264,311)
Balance at December 31, 2014	70,480	465,131	-	19,158,950	78,708	19,773,269
Additions	-	-	-	5,074,537	-	5,074,537
Silver sales	-	-	-	(5,150,424)	-	(5,150,424)
Changes in asset retirement obligations	-	-	-	43,394	-	43,394
Impairment	(31,703)	(29,623)	-	-	(51,187)	(112,513)
Foreign exchange	-	-	-	1,628,642	-	1,628,642
Balance at December 31, 2015	38,777	435,508	-	20,755,099	27,521	21,256,905
Accumulated depreciation						
Balance at January 1, 2014	62,638	453,919	-	-	67,637	584,194
Depreciation	8,506	11,867	-	-	12,134	32,507
Foreign exchange	(664)	(655)	-	-	(1,063)	(2,382)
Balance at December 31, 2014	70,480	465,131	-	-	78,708	614,319
Impairment	(31,703)	(29,623)	-	-	(51,187)	(112,513)
Balance at December 31, 2015	38,777	435,508	-	-	27,521	501,806
Carrying amounts						
At December 31, 2014	-	-	-	19,158,950	-	19,158,950
At December 31, 2015	-	-	-	20,755,099	-	20,755,099

In 2014, an amount of \$32,507 (nil in 2015) of depreciation was charged to deferred exploration and evaluation expenses.

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.

The mining assets under construction include equipment under finance lease of \$418,500 (3,000,000 dirham).

Maya Gold & Silver Inc.
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9. EXPLORATION AND EVALUATION ASSETS

Changes in exploration and evaluation assets were as follows:

	December 31, 2015	December 31, 2014
	\$	\$
Rights on mining properties		
Opening balance	4,438,257	14,612,856
Foreign exchange	-	(48,960)
Transfer to PP&E	-	(5,547,250)
Impairment	-	(4,578,389)
Ending balance	4,438,257	4,438,257
Deferred exploration and evaluation expenses		
Opening balance	113,174	7,807,327
Additions		
Salaries and benefits	-	43,359
Geology and consulting	-	112,669
Administrative	-	39,757
Depreciation	-	32,507
Foreign exchange	-	11,294
Transfer to PP&E	-	(3,005,693)
Impairment	-	(4,928,046)
Ending balance	113,174	113,174
Balance, end of year	4,551,431	4,551,431

All exploration and evaluation assets are located in Morocco and relate 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.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

a) Zgounder project (continued)

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.

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, 2015 and 2014, the Corporation performed an impairment test following an indication of impairment, namely the decrease of the silver price. No impairment was required as at December 31, 2015 and 2014 following the completion of the impairment test.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

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9. EXPLORATION AND EVALUATION ASSETS (continued)

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 \$5,155,700 (43,000,000 dirham), including an initial amount of \$719,400 (6,000,000 dirham) paid by Global Works, Assistance and Trading S.A.R.L ("Glowat"), a related party company acting as project manager (Note 21), on behalf of the Corporation two months after the initial due date, an amount of \$812,400 (6,000,000 dirham) paid in February 2014 by Glowat on behalf of the Corporation, \$837,000 (6,000,000 dirham) originally payable in February 2015, a final payment of \$1,395,000 (10,000,000 dirham) payable in February 2016 and an amount of \$2,095,500 (15,000,000 dirham) that relates to past expenses incurred by the seller for which the seller can either demand reimbursement of this amount or apply it as a capital contribution of the future company to be created. 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 \$306,900 (2,200,000 dirham) has been subscribed by the Corporation to the benefit of ONHYM and all cash payments have been completed. During 2015, the Corporation and ONHYM agreed to postpone the third payment of \$837,000 (6,000,000 dirham) which should have been paid in February 2015 until the end of December 2015. On 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.

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 (\$13,950) until production actually begins.

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 15%. The amount was allocated to the assets acquired based on the fair value of the total consideration at the closing date of the transaction.

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

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9. EXPLORATION AND EVALUATION ASSETS (continued)

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.

In 2014, based on an impairment analysis performed and given that no expenses was budgeted in a short-term horizon, this property was considered fully impaired and a charge for an amount of \$6,077,291 was recorded in the consolidated statement of comprehensive loss.

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.

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.

In 2014, based on an impairment analysis performed and given that no expenses was budgeted in a short-term horizon, this property was considered fully impaired and a charge for an amount of \$3,063,110 was recorded in the consolidated statement of comprehensive loss.

Maya Gold & Silver Inc.
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9. EXPLORATION AND EVALUATION ASSETS (continued)

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.

In 2014, based on an impairment analysis performed and given that no expenses was budgeted in a short-term horizon, this property was considered fully impaired for a charge for an amount of \$366,034 was recorded in the consolidated statement of comprehensive loss.

f) Balances of purchase price payable related to acquisition of properties

	Zgounder	Boumadine	Total
	\$	\$	\$
Balance at December 31, 2013	1,824,200	4,317,466	6,141,666
Payment	(1,944,444)	(812,400)	(2,756,844)
Accretion expense	-	279,100	279,100
Foreign exchange	120,244	(42,266)	77,978
Balance at December 31, 2014	-	3,741,900	3,741,900
Accretion expense	-	194,788	194,788
Foreign exchange	-	353,580	353,580
Balance at December 31, 2015	-	4,290,268	4,290,268
Current portion	-	4,290,268	4,290,268
Non-current portion	-	-	-

Maya Gold & Silver Inc.
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10. LONG-TERM DEBT

	December 31, 2015	December 31, 2014
	\$	\$
Credit facility (a)	830,248	2,523,575
Obligation under finance lease (b)	418,500	-
	1,248,748	2,523,575
Current portion	925,213	2,523,575
Non-current portion	323,535	-

a) Credit facility

On February 4, 2014, the Corporation entered into a facility agreement (the "Facility Agreement") for a credit facility in a principal amount of US\$6,000,000 (\$8,304,000), of which US\$3,500,000 (\$4,844,000) was drawn immediately (the "Initial Facility"). The Initial Facility was a 12-month loan maturing on January 31, 2015 and bearing interest at 12% per annum. The principal amount and the interest were originally repayable in nine consecutive monthly installments commencing on May 31, 2014 from the cash generated by the operations of ZMSM. In May 2015, the Corporation entered into an agreement amending the credit facility. Pursuant to an amendment to the facility agreement, the Corporation and the lender agreed to postpone the maturity date of the credit facility to October 31, 2015. The outstanding balance of the credit facility remaining was payable in consecutive monthly installments until maturity. The Corporation has further agreed to pay a cash fee equal to \$55,465 (US\$45,000). In October 2015, the Corporation and the lender agreed to delay the last three payments until January 2016.

In May 2015, the Corporation also agreed to amend the terms of the option to convert any amounts due under the facility into a maximum of 1,500,000 common shares of Maya, at a price of \$0.35 per share by extending the conversion period from January 31, 2015 to October 31, 2015.

Pursuant to the Facility Agreement six months after the date of the Facility Agreement, a further loan of US\$2,500,000 (\$3,460,000) with a twelve-month term was to be made available to the Corporation, for total facility of US\$6,000,000 (\$8,304,000). Under the terms of the Facility Agreement, the lender was granted a silver ounce fee of US\$0.25 per ounce (\$0.35 per ounce) of silver ingots delivered by ZMSM to a refiner.

The Corporation signed a Security Agreement with a trustee relating to the assignment of the commercial contracts and the refinery contract as security to the lender which included a hypothec in favor of the lender covering all of the Corporation's rights, title and interest in and to the commodity contracts and deposits for an amount of up to \$7,000,000 in order to secure the payment of any amounts due under the Facility Agreement.

Under the facility, the lender has the option to purchase up to 1,500,000 common shares of Maya at a price of \$0.35 per share, which may be exercised in lieu of amounts due under the Facility Agreement, over the term. If and when the option is exercised, the Corporation will reduce the outstanding amount owed to the lender under the Facility Agreement by the calculation of shares of the Corporation issued multiplied by the option strike price.

If the Corporation fails to pay any amount payable under the Facility Agreement, the lender may require the Corporation to issue a number of common shares in sufficient net value to satisfy the Corporation's obligation to pay any unpaid amount.

Maya Gold & Silver Inc.
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10. LONG-TERM DEBT (continued)

a) Credit facility (continued)

An issuance cost of \$247,646 was paid in 2014 in relation with this closing.

Pursuant to the terms and conditions of the Facility Agreement and for the duration of the agreement, the Corporation deposited in a reserve account an amount of US\$140,000 (\$193,760). In 2015, some interest and other fees were paid from the reserve account. The balance as at December 31, 2015 was US\$ 26,132 (\$36,167) (US\$ 140,000 (\$162,414) as at December 31, 2014).

The option to purchase 1,500,000 shares granted to the lender is an embedded derivative that represents a derivative financial liability that is accounted for separately from the credit facility. Consequently, the embedded derivative was valued first at fair value, and the difference between the proceeds of the credit facility and the estimated fair value of the embedded derivative was assigned to the debt. The derivative financial instrument is evaluated on a quarterly basis with variation in fair value recognized in the profit or loss. As at February 4, 2014, the Corporation recognized a derivative liability of \$96,600 for the 1,500,000 options granted to the lender. The estimated value amounted to nil as at December 31, 2015 as the options expired (\$5,400 as at December 31, 2014) and the variation of \$5,400 in 2015 (\$91,200 in 2014) was recognized in the profit or loss during the period. In May, 2015, the Corporation amended the terms of the options to extend the conversion period from January 31, 2015 to October 31, 2015. Therefore, the fair value of the options was reevaluated to \$21,900. A variation of \$21,900 in 2015 was recognized in the profit or loss during the year since the options expired during the year. The Corporation used the Black-Scholes option pricing model to value the options at the issuance date and used the same model to value this element at the end of 2014. The carrying amount of the debt was increased monthly by periodic accretion under the effective interest method based on a rate of 15%.

The following table illustrates the value of the derivative financial liability:

		Fair value at February 4, 2014	Fair value at December 31, 2014	Fair value at December 31, 2015
Expiry date				
		\$	\$	\$
1,500,000 share purchase options granted to the lender	October 31, 2015	96,600	5,400	-

The derivative financial liability is a level 3 financial liability measured at fair value and is revalued at each end of period using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2014	February 4 2014
Exercise price (\$)	0.35	0.35
Grant date market price (\$)	0.21	0.315
Expected stock option life (year)	0.25	1.00
Expected volatility (%)	73	61
Risk-free interest rate (%)	1.00	1.01
Dividend yield (%)	-	-

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10. LONG-TERM DEBT (continued)

a) Credit facility (continued)

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

Under the facility, the Corporation was required, in December 2014, to purchase put options as protection against the decrease of silver price. Therefore, the Corporation purchased, through the lender, who acted as intermediary for the account of the Corporation, put options to sell 20,000 ounces of silver per month at a price of US\$14.50 per ounce from December 2014 to November 2015 for an amount of US\$131,250 (\$145,881).

The following table illustrates the value of these derivative financial assets:

	Expiry date	Fair value at December 11, 2014	Fair value at December 31, 2014	Fair value at December 31, 2015
		\$	\$	\$
Put options for 20,000 ounces of silver per month at US\$14.50	November 2015	145,881	106,012	-

The derivative financial instruments are a level 2 financial assets measured at fair value and is revalued at each end of period using the valuation of these options made by a financial institution. The Corporation assesses the reasonableness of these valuations through internal methods and third party valuations. Valuations are based on forward rates considering the market price, rate of interest and volatility, and take into account the credit risk of the financial instrument.

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 balance sheet with a corresponding finance lease liability. The obligation bears interest at 6.31%, payable in monthly instalments of \$9,888 (70,882 dirham) and maturing in December 2019.

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

	Credit facility	Obligation under finance lease
	\$	\$
2016	830,248	118,656
2017	-	118,656
2018	-	118,656
2019	-	118,656
Total minimum payments	830,248	474,625
Amounts included in minimum payments - interest		(56,125)
		418,500

Maya Gold & Silver Inc.

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10. LONG-TERM DEBT (continued)

c) 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 remain conditional to the closing by the Corporation of an equity financing of a minimum of \$2,491,200 (US\$1,800,000), which was not completed as of December 31, 2015.

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 Corporation paid a front-end commission of 0.5% of the loan (US\$30,000, \$41,520), which was charged to profit or loss.

The principal repayment will be as follow:

- September 2017	US\$1,750,000
- March 2018	US\$1,000,000
- September 2018	US\$2,000,000
- March 2019	US\$750,000
- September 2019	US\$500,000

The Corporation shall pay to EBRD a commitment charge of 1% on the portion of the loan not disbursed. The commitment charge shall accrue from day to day from the date which is 45 days after September 30, 2015. The commitment charge is payable May 31st of each year. As at December 31, 2015, an amount of \$13,840 is accrued with respect to this commitment charge.

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 (x) 2% of the amount of the loan to be prepaid and (y) 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.

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 ration 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.

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10. LONG-TERM DEBT (continued)

c) Loan (continued)

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 unless EBRD consent to. As at December 31, 2015, the Corporation is in breach with respect to this covenant as the sale and leaseback transaction was concluded in December 2015 without prior approbation by EBRD.

11. CONVERTIBLE DEBENTURES

	\$
Balance at December 31, 2013	1,773,693
Issuance of convertible debentures	8,300,000
Issuance costs	(329,791)
Equity component	(1,413,860)
Accretion expense	513,725
Balance at December 31, 2014	8,843,767
Accretion expense	471,016
Conversion	(6,514,390)
Balance at December 31, 2015	2,800,393
Current portion	45,908
Non-current portion	2,754,485

a) Convertible debentures into common shares or silver ingots

In February and March 2014, the Corporation closed \$8,300,000 of unsecured convertible debentures and \$1,700,000 on November 20, 2013. These debentures bear interest at a rate of 8% per annum and maturing 36 months after issuance date. The principal amount of the debentures will be payable on maturity date and accrued interest payable quarterly. The conversion option to convert the debentures into common shares can be exercised one year after the issuance of the debentures and at the end of each quarter.

The debentures issued were subject to a statutory hold period of four months and one day from the date of issuance in accordance with applicable securities legislation.

At maturity date, the debenture holders will have the option to receive:

- (i) cash; or
- (ii) common shares of Maya, at a conversion price equal to \$0.35 per common share; or
- (iii) silver ingots produced from the Zgounder mine at the option of the holders at a price per ounce of silver equal to:
 - (a) the spot market price of silver at the date of payment minus 12.5%; or
 - (b) US\$18 per ounce

An issuance cost of \$411,998 was paid in 2014 in relation with this closing (\$82,207 was accounted for as issuance cost in equity in regard to the equity component).

Maya Gold & Silver Inc.

Notes to Consolidated Financial Statements

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11. CONVERTIBLE DEBENTURES (continued)

a) Convertible debentures into common shares or silver ingots (continued)

The convertible debentures are a compound financial instrument and as such it has been recorded under the requirements of IAS 32, as a liability and as equity. Consequently, the liability component was valued first, and the difference between the proceeds of the debentures and the fair value of the liability was assigned to the equity component. For purposes of establishing the fair value of the liability component, an effective interest rate of 15% was used, representing the estimated market rate at closing that the Corporation would have obtained for similar financing without the conversion option. The liability component will be accreted to the face value of the debenture over the term of the debenture with a resulting charge to interest expense. In 2014, the equity component of \$1,413,860 was accounted for net of tax effect of \$380,828.

In March 2014, the Corporation changed the terms of conversion of \$1,700,000 of the convertible debentures issued in November 2013. The options to convert the debentures into common shares can now be exercised one year after the issuance of the debentures and at the end of each quarter thereafter and not only at the expiration date of the debentures. The financial impact of these changes is nil.

b) Convertible debenture into common shares

On June 25, 2013, the Corporation completed the financing of a \$500,000 convertible debenture bearing interest at a rate of 7.5% per annum and maturing on June 25, 2015. The principal amount of the debenture and accrued interest will be payable on maturity date. An equity component of \$73,237 was accounted for net of tax effect of \$19,700.

The debenture is convertible into common shares of Maya at the option of the holder at any time prior to the maturity date, at a conversion price equal to \$0.35 per common share. On conversion, the holder will receive accrued interest on the debenture from the date of issue of the debenture up to and including the last day prior to conversion.

c) Conversion of debentures in 2015

In July 2015, the Corporation offered for a limited time to holders of the convertible debentures an incentive to convert their debentures before maturity into debentures shares (the "Debenture Shares") at a conversion price of \$0.28 instead of in shares at \$0.35. Each Debenture Share is composed of one common share and one common share purchase warrant; each share purchase warrant shall entitles its holder to subscribe one common share of the Corporation until July 15, 2018 at a price of \$0.35 per share. The Corporation may accelerate the expiry time of the share purchase 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 \$0.70 per share for a period of 20 consecutive trading days.

In August 2015, the Corporation closed a first tranche of the conversion of outstanding convertible debentures and accrued interests. The Corporation issued 13,750,000 Debenture Shares for the conversion of outstanding convertible debentures in principal amount of \$3,850,000 of \$10,500,000 issued in 2013 and 2014.

Furthermore, the Corporation issued 791,155 Debenture Shares in settlement of accrued interests in the amount of \$221,523 as of June 30, 2015 under the same conditions as mentioned above.

In September 2015, the Corporation closed a second tranche of the conversion of outstanding convertible debentures and accrued interests. The Corporation issued 12,857,143 Debenture Shares for the conversion of outstanding convertible debentures in principal amount of \$3,600,000.

Maya Gold & Silver Inc.

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11. CONVERTIBLE DEBENTURES (continued)

c) Conversion of debentures in 2015 (continued)

Furthermore, the Corporation issued 335,344 common shares at a price of \$0.25 per share in settlement of accrued interests in the amount of \$83,836 as of July 15, 2015.

As a result of the conversion of \$7,450,000 convertible debentures and \$305,359 of accrued interests, the Corporation issued a total of 27,733,642 common shares and 27,398,298 share purchase warrants. All securities issued in connection with the conversion are subject to a statutory hold period of four months, expiring on December 5, 2015 and January 3, 2016.

The Corporation recorded an expense in the consolidated statement of comprehensive loss of \$5,625,000 representing the difference between the fair value of the consideration that the holders would receive upon conversion under the revised terms and the fair value of the consideration that the holders would have received upon conversion under the original terms, measured at the date when the terms were amended. The fair value of the consideration that the holders would receive upon the revised terms was measured using the number of shares to issue with the revised conversion price of \$0.28 multiplied by the addition of the stock price of \$0.25 representing the market value of the shares at the date when the terms has been modified and the fair value of the warrants. The fair value of the warrants was estimated using the Black-Scholes option pricing model at the date of issuance. The fair value of the consideration that the holders would have received upon conversion under the original terms was measured using the number of shares to issue with the original conversion price multiplied by the stock price of \$0.25 representing the market value of the shares at the date when the terms were modified.

The Corporation used the following weighted average assumptions for all 2015 issuance of warrants:

**Year ended
December 31,
2015**

Exercise price (\$)	0.35
Grant date market price (\$)	0.25
Expected stock option life (years)	3
Expected volatility (%)	72
Risk-free interest rate (%)	0.37
Dividend yield (%)	-

At the conversion of interests into shares, an amount of \$67,069 was allocated to the share capital representing the fair value of the shares at the conversion. The difference of \$16,767 between the accrued interests and the fair value of the shares was recorded in the consolidated statement of comprehensive loss.

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12. 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, 2015, the estimated inflation-adjusted discounted cash flows required to settle the asset retirement obligations amounts to \$901,363 (\$845,548 in 2014). The discount rate used is 1.39% (1.79% in 2014) and the disbursements are expected to be made in 2027 (2025 in 2014). 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 \$750,000 to \$900,000 (\$750,000 to \$900,000 in 2014) and taking into consideration a normal inflation rate over time until 2027, for inflated costs from \$950,000 to \$1,100,000.

The Corporation had also a provision for environmental remediation of \$150,000 in 2014 recorded at the acquisition of Zgounder property in 2012. The provision was related to the environmental remediation work to be performed principally for the tailings, which were initially expected to be incurred in the next year, which was the best estimate at that time. The initial planned work was completed in 2015.

	Asset retirement obligations	Provision for environmental remediation	Total
	\$	\$	\$
Balance at December 31, 2013	622,443	150,000	772,443
New obligation	192,323	-	192,323
Accretion expense	30,782	-	30,782
Balance at December 31, 2014	845,548	150,000	995,548
Variation	-	(150,000)	(150,000)
New obligation	43,394	-	43,394
Accretion expense	12,421	-	12,421
Balance at December 31, 2015	901,363	-	901,363

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13. SHARE CAPITAL AND WARRANTS

Authorized

Unlimited number of common shares without par value.

Issuance of securities

2015

The following table details issuance of securities completed during the year ended December 31, 2015:

	Shares issued	Proceeds	Conversion of debentures and interests	Warrant exercise price	Expiry date of warrants
March, 2015 ⁽¹⁾	4,800,000	\$1,200,000	-	\$0.50	September, 2016
July, 2015 ⁽²⁾	300,000	-	-	-	-
August, 2015 (Note 11)	14,541,155	-	\$4,071,523	\$0.35	July, 2018
September, 2015 (Note 11)	13,192,487	-	\$3,683,836	\$0.35	July, 2018
September 2015 ⁽³⁾	1,430,000	\$400,400	-	\$0.35	September, 2018
Total	34,263,642	\$1,600,400	\$7,755,359		

- (1) In March 2015, the Corporation completed a private placement of 4,800,000 units at \$0.25 per unit for a total cash consideration of \$1,200,000. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of \$0.50 until September 2016. An amount of \$72,586 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 71%, a risk-free interest rate of 0.45%, and expected dividend yield of 0% and an expected life of 18 months.
- (2) In July 2015, the Corporation issued 300,000 common shares in lieu of bonus for 2014 granted in favor of a director and officer of the Corporation following approval at the annual meeting. The shares issued were measured at fair value at the date of issuance for a total of \$69,000.
- (3) In September 2015, the Corporation closed a brokered private placement of 1,430,000 units at a price of \$0.28 per unit for gross proceeds of \$400,400. Each unit consists of one common share and one share purchase warrant of the Corporation. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.35 for a period of 36 months from the closing date. The Corporation may accelerate the expiry time of the share purchase warrant if, at any time, the weighted average trading price of the common shares of the Corporation is equal to or above \$0.70 per share for a period of 20 consecutive trading days. An amount of \$104,748 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 73%, 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 placements, financing costs consisting of cash payments totaled \$80,199.

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13. SHARE CAPITAL AND WARRANTS (continued)

2014

- In September 2014, 5,565,429 warrants were exercised for an amount of \$1,947,900.
- In August 2014, 214,286 warrants were exercised for an amount of \$75,000.
- In July 2014, 35,000 options were exercised for an amount of \$8,750.
- In June 2014, 90,000 options were exercised for an amount of \$30,000.
- In April 2014, 250,000 warrants were exercised for an amount of \$87,500.

In May 2014, the Corporation issued in total 600,000 common shares, 300,000 common shares to each of the Chief Executive Officer (“CEO”) and President, under the share-based awards determined pursuant to the Long-term incentive plan (“LTIP”). The market price of the common shares on May 21, 2014 was \$0.43. The Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares were evaluated based on the market price at the date of grant.

On July 2, 2014, the Board adopted a resolution approving the grant of 300,000 common shares to a non independent director. This transaction was conditionally accepted by the regulatory authorities and vesting is subject to an approval from the disinterested shareholders.

As part of private placements closed on 2011 and 2012, the Corporation issued 1,566,666 units (composed of 1 share and one half of warrant) to a director as payment of bonuses. In 2014, regulatory authorities review these transactions and stated that these payments of bonuses should have been treated as share for debt transactions instead of private placements. The final approval of the TSX Venture Exchange for the issuance of the 1,566,666 common shares to the director was subject to the approval of the disinterested shareholders of the Corporation at the next meeting of shareholders and the warrants related should be cancelled. All approvals were obtained in 2015. All warrants were expired on December 31, 2013.

Share purchase warrants

	Year ended		Year ended	
	December 31, 2015		December 31, 2014	
	Number	Weighted average exercise price (\$)	Number	Weighted average exercise price (\$)
Balance, beginning of year	-	-	15,474,000	0.35
Private placements	3,830,000	0.44	-	-
Issuance related to conversion of debentures	27,398,298	0.35	-	-
Finders' fees	85,800	0.35	-	-
Exercised	-	-	(6,029,715)	(0.35)
Expired	-	-	(9,444,285)	(0.35)
Balance, end of year	31,314,098	0.36	-	-

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13. SHARE CAPITAL AND WARRANTS (continued)

At December 31, 2015, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants		Number of warrants		Exercise price	Expiry date
	December 31, 2014	Issued	December 31, 2015			
Private placement– March 2015	-	2,400,000	2,400,000		0.50	Sept 2016
Private placement- September 2015	-	1,430,000	1,430,000		0.35	Sept 2018
Broker warrants – September 2015	-	85,800	85,800		0.35	Sept 2018
Issuance related to conversion of debentures	-	27,398,298	27,398,298		0.35	July 2018
	-	31,314,098	31,314,098		-	

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 Chief Operating Officer (“COO”). 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 2014, the Corporation issued 300,000 common shares to each of the CEO and President. The market price of the common shares on May 21, 2014 was \$0.43. As at December 31, 2015, the Corporation issued a total of 1,718,792 common shares under this plan since its establishment.

14. 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		Year ended	
	December 31, 2015		December 31, 2014	
	Number	\$ ⁽¹⁾	Number	\$ ⁽¹⁾
Balance, beginning of year	9,385,000	0.39	6,935,000	0.35
Granted	-	-	3,000,000	0.50
Exercised	-	-	(125,000)	(0.31)
Expired	(875,000)	(0.28)	(425,000)	(0.42)
Forfeited	(200,000)	(0.50)	-	-
	8,310,000	0.40	9,385,000	0.39

(1) Weighted average exercise price

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14. SHARE PURCHASE OPTIONS (continued)

On July 2, 2014, the Corporation granted 200,000 share purchase options to a director with a five years term and 100,000 share purchase options to consultants with a three years term. The share purchase options are exercisable at \$0.50 per share. For the consultants, 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 share purchase options are vested on each quarter equally on 18 months. The weighted average fair value of \$0.27 of the 300,000 share purchase options granted was estimated using the Black-Scholes option pricing model at the date of issuance.

On May 7, 2014, the Corporation granted to directors, officers, employee and consultants, 2,700,000 share purchase options with a five year term. The share purchase options are exercisable at \$0.50 per share. For the consultants, 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. 1,625,000 options will vest at the date of grant and 1,075,000 will vest one year after the date of grant. The weighted average fair value of \$0.22 of the 2,700,000 share purchase options granted in 2014 was estimated using the Black-Scholes option pricing model at the date of issuance.

The Corporation use the following weighted average assumptions for all 2014 issues of shares purchase stock options:

	Year ended December 31, 2014
Exercise price (\$)	0.50
Grant date market price (\$)	0.39
Expected stock option life (years)	4.9
Expected volatility (%)	75
Risk-free interest rate (%)	1.59
Dividend yield (%)	-

No special features inherent to the options granted were incorporated into the measurement of fair value. The share-based payments were accounted for as an expense in the consolidated statement of comprehensive loss. The Corporation currently estimates the expected volatility of its common shares based on its historical information over the expected average life of the stock options.

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14. SHARE PURCHASE OPTIONS (continued)

The following table reflects the share purchase options issued and outstanding at December 31, 2015:

Issue date	Number of options	Exercise price	Remaining contractual life (years)	Number of options exercisable
	Number	\$	Number	Number
March 2011	350,000	0.45	0.2	350,000
March 2012	1,485,000	0.35	1.4	1,485,000
March 2013	3,475,000	0.35	2.0	3,475,000
July 2013	200,000	0.35	2.5	200,000
May 2014	2,700,000	0.50	3.3	2,700,000
July 2014	100,000	0.50	1.5	100,000
	8,310,000	0.40	2.2	8,310,000
Weighted average exercise price (\$)				0.40

15. ADDITIONAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS

Management and administration expense

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Salaries and benefits	508,438	657,434
Consulting fees	130,084	206,500
Share-based payments	165,498	868,303
Office	85,597	174,589
Professional fees	189,955	268,825
Regional office – Mexico	-	5,656
Reporting issuer costs	41,596	45,083
	1,121,168	2,226,390

Finance expense

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Interest expense	1,120,880	1,170,518
Long-term debt and debentures fees	56,434	339,593
Accretion expense	678,225	810,458
Financing fees	205,490	-
	2,061,029	2,320,569

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15. ADDITIONAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS (continued)

Expenses recognized for employee benefits are analysed below:

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Salaries	1,528,502	944,468
Fringe benefits costs	336,702	94,061
Post-employment benefits and short-term employee benefits	50,054	11,637
Post-employment benefits from government plans	56,429	17,459
Share-based payments	165,498	868,303
	2,137,185	1,935,928

16. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Loss before income tax	(8,317,741)	(15,289,901)
Tax using the Corporation's domestic tax rate of 26.9%	(2,237,473)	(4,112,983)
Share-based payments	25,958	164,172
Effect of tax rate in foreign jurisdictions	(8,834)	(21,272)
Non-deductible expenses	162,078	110,757
Unrecognized tax assets	835,479	3,378,099
Effect of convertible debentures modification	1,599,666	-
Expiration of tax losses	50,510	-
Foreign exchange	3,341	46,226
Other	(92,505)	1,425
Deferred income tax	338,220	(433,576)

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

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16. INCOME TAXES (continued)

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

	December 31, 2015	December 31, 2014
	\$	\$
Non-capital loss carry-forwards	12,792,763	9,793,811
Property, plant and equipment	575,766	569,749
Exploration and evaluation assets	10,141,476	10,141,476
Share issue costs	632,382	915,796
Unrealized capital loss	294,000	120,000
Marketable securities	737,264	722,454
Balance of purchase price payable	279,368	-
Credit facility	164,986	91,272
Capital loss	675,921	10,294
	26,293,926	22,364,852

Recognized deferred tax assets and liabilities are as follows:

	December 31, 2014	Recognized in profit or loss	Recognized in equity	December 31, 2015
	\$	\$	\$	\$
Non-capital loss carry-forwards	488,784	(421,784)	-	67,000
Property plant and equipment	34,402	3,120	-	37,522
Balances of purchase price	(42,784)	42,784	-	-
Debentures	(446,000)	40,780	338,220	(67,000)
Exploration and evaluation assets	(34,402)	(3,120)	-	(37,522)
	-	(338,220)	338,220	-

	December 31, 2013	Recognized in profit or loss	Recognized in equity	December 31, 2014
	\$	\$	\$	\$
Non-capital loss carry-forwards	219,226	322,306	(52,748)	488,784
Property plant and equipment	35,047	(645)	-	34,402
Balances of purchase price	(104,226)	61,442	-	(42,784)
Debentures	(115,000)	49,828	(380,828)	(446,000)
Exploration and evaluation assets	(35,047)	645	-	(34,402)
	-	433,576	(433,576)	-

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16. INCOME TAXES (continued)

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	1,408,722
	<hr/> 11,008,515 <hr/>

As at December 31, 2015, the Corporation had unused tax losses in Morocco of \$1,305,964 (\$959,069 in 2014) expiring from 2015 to 2019 as well as unused tax losses in Mexico of \$478,284 (\$478,284 in 2014).

17. CAPITAL MANAGEMENT

The Corporation defines capital as equity, long-term debt and convertible debentures. 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, 2015, capital was \$15,291,675 (\$17,810,070 as at December 31, 2014). 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, 2015 except to add the long-term debt to the managed capital. Loan was contracted during 2015 but the amount is still not disbursed (Note 10). Variation of capital during the year is detailed in the consolidated statement of changes in equity.

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18. 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, 2015. The classification of financial instruments is summarized as follows:

	Classification	As at December 31, 2015	As at December 31, 2014
Financial assets			
Cash	Loans and receivables	376,327	2,138,588
Marketable securities - shares	Available for sale investment	51,776	97,931
	Financial asset with variations in fair		
Marketable securities – subscription shares	value charged to profit or loss	-	14,908
	Financial asset with variations in fair		
Derivative financial instruments	value charged to profit or loss	-	106,012
Advance to related parties	Loans and receivables	92,881	267,817
Restricted investment	Loans and receivables	20,000	20,000
		540,984	2,645,256
Financial liabilities			
Accounts payable and accrued liabilities (except salaries and employee benefits)	Financial liabilities at amortized cost	3,032,285	1,338,917
Demand promissory note due to a related party	Financial liabilities at amortized cost	4,724,315	4,183,542
Balances of purchase price payable	Financial liabilities at amortized cost	4,290,268	3,741,900
Credit facility	Financial liabilities at amortized cost	830,248	2,523,575
	Financial liability with variations in		
Derivative financial instrument	fair value charged to profit or loss	-	5,400
Convertible debentures	Financial liabilities at amortized cost	2,800,393	8,843,767
		15,677,509	20,637,101

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. Therefore, credit risk is not considered significant.

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18. FINANCIAL RISK MANAGEMENT (continued)

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. As at December 31, 2015, the Corporation does not have sufficient funds to settle its liabilities and commitments for the next 12 months. The amounts of royalties payable are settled no later than June 30 of the subsequent reporting period. The Corporation must achieve new financings to continue the exploration and evaluation projects, pursue its mining operations at Zgounder, to cover general and administration expenses and to meet its commitments (Note 20). As at December 31, 2015, the Corporation's negative working capital totals \$10,197,494 (\$7,266,275 as at December 31, 2014). Current liabilities of \$13,545,728 (\$11,623,945 as at December 31, 2014) 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 (see Note 2 – *Going concern*).

The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2015:

	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)	3,032,285	3,032,285	3,032,285	-	-
Demand promissory note due to a related party	4,724,315	4,724,315	4,724,315	-	-
Balances of purchase price	4,290,268	4,324,500	4,324,500	-	-
Credit facility	830,248	838,550	838,550	-	-
Obligation under finance lease	418,500	474,625	118,656	118,656	237,313
Convertible Debentures	2,800,393	3,354,000	294,000	3,060,000	-
	16,096,009	16,748,275	13,332,306	3,178,656	237,313

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18. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2014:

	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)	1,338,917	1,338,917	1,338,917	-	-
Demand promissory note due to a related party	4,183,542	4,183,542	4,183,542	-	-
Balances of purchase price	3,741,900	3,964,900	2,685,900	1,279,000	-
Credit facility	2,523,575	2,590,444	2,590,444	-	-
Convertible Debentures	8,843,767	12,327,809	1,375,000	2,486,809	8,466,000
	20,631,701	24,405,612	12,173,803	3,765,809	8,466,000

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 and the marketable securities are denominated in pounds. Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are as follows:

December 31, 2015

	Pounds	US dollar	Dirham	Total
Cash	-	102,589	-	102,589
Marketable securities	51,776	-	-	51,776
Accounts payables and accrued liabilities	-	(159,718)	-	(159,718)
Demand promissory note due to a related party	-	-	(4,724,315)	(4,724,315)
Credit facility	-	(830,248)	-	(830,248)
Obligation under capital lease	-	-	(418,500)	(418,500)
Balances of purchase price payable	-	-	(4,290,268)	(4,290,268)
	51,776	(887,377)	(9,433,083)	(10,268,684)

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18. FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

December 31, 2014				
	Pounds	US dollar	Dirham	Total
Cash	-	18,731	-	18,731
Marketable securities	112,839	-	-	112,839
Derivative financial instruments	-	106,012	-	106,012
Accounts payables and accrued liabilities	-	(226,367)	(147,663)	(374,030)
Demand promissory note due to a related party	-	-	(4,183,542)	(4,183,542)
Credit facility	-	(2,523,575)	-	(2,523,575)
Balances of purchase price payable	-	-	(3,741,900)	(3,741,900)
	112,839	(2,625,199)	(8,073,105)	(10,585,465)

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, 2015 would be approximately \$1,026,868 (\$1,058,547 as at December 31, 2014).

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. Credit facility and convertible debentures bear 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.

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, advance to related parties, restricted investment, accounts payable and accrued liabilities (except salaries and employee benefits) and demand promissory note due 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 balances of purchase price for the acquisition of the Boumadine property and convertible debentures is not materially different from their carrying value because there was no material change during the period in the assumptions used for fair value determination at inception. Therefore, its principal amount approximates its fair value.

The fair value of the credit facility is not materially different from the carrying value since its maturing within one year. Its principal amount approximates its fair value.

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18. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

The marketable securities are accounted for at their fair value. A variation of +/- 10% of the quoted market price as at December 31, 2015, would result in an estimated effect on the fair value of \$5,178 (nil in net loss (\$1,491 in 2014) and \$5,178 in other comprehensive loss (\$9,793 in 2014).

The derivative financial instruments - assets are accounted for at their fair value. A variation of +/- 10% of the assumptions used as at December 31, 2014, would not result in a significant change of fair value as at December 31, 2014.

The derivative financial instrument - liability is accounted for at its fair value. A variation of +/- 10% of the assumptions used as at December 31, 2015, would not result in a significant change of the fair value as at December 31, 2014.

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 provides 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, 2015

Recurring measurements	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Marketable securities				
Ordinary shares	51,776	-	-	51,776
Balances of purchase price payable	-	-	(4,290,268)	(4,290,268)
Convertible debentures	-	-	(2,800,393)	(2,800,393)
	51,776	-	(7,090,661)	(7,038,885)

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18. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

December 31, 2014

Recurring measurements	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Marketable securities				
Ordinary shares	97,931	-	-	97,931
Subscription shares	14,908	-	-	14,908
Balances of purchase price payable	-	-	(3,741,900)	(3,741,900)
Convertible debentures	-	-	(8,843,767)	(8,843,767)
Derivative financial instruments –assets	-	106,012	-	106,012
Derivative financial instrument - liability	-	-	(5,400)	(5,400)
	112,839	106,012	(12,591,067)	(12,372,216)

Description of calculations related to fair value of the derivative financial instruments is described in Note 10.

During the years ended December 31, 2015 and 2014, there were no transfers between Level 1, Level 2 and Level 3.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2015	December 31, 2014
	\$	\$
Changes in working capital items		
Sales taxes receivable	(352,456)	(392,743)
Inventories	(547,534)	(1,053,611)
Advance to related parties	174,936	(74,736)
Prepaid expenses and security deposits	169,802	(482,960)
Accounts payable and accrued liabilities	423,727	738,548
Provision for environmental remediation	(150,000)	-
	(281,525)	(1,265,502)

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19. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Non-cash transactions		
Asset retirement obligations recorded in property, plant and equipment (Note 12)	43,394	192,323
Additions of property, plant and equipment not paid	1,621,940	-
Additions of property, plant and equipment and exploration and evaluation expenses paid by Glowat on behalf of the Corporation	-	614,543
Depreciation included in exploration and evaluation assets	-	32,507
	Year ended December 31, 2015	Year ended December 31, 2014
	\$	\$
Interest paid, included in operating activities	1,326,370	1,170,518

20. COMMITMENTS AND GUARANTEES

Lease agreement

As at December 31, 2015, the Corporation had a commitment under the terms of a lease for office premises and office equipment ending in May 2016 of \$15,925.

Rent expenses for the year ended December 31, 2015 amount to \$75,644 (\$39,525 in 2014).

In addition of the commitments disclosed in Note 9, 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 (\$164,600 (1,255,538 dirhams) for the year ended December 31, 2015 (\$60,300 (459,000 dirhams) for the year ended December 31, 2014))
- 3.0% royalty to ONHYM on revenue from the Boumadine property

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20. COMMITMENTS AND GUARANTEES (continued)

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 21).

Letter of credit

Zgounder

ZMSM has letters of credit amounting to \$288,486 (2,068,000 dirham (2,200,000 dirham as at December 31, 2014) with suppliers.

21. RELATED PARTY TRANSACTIONS

In the normal course of operations, for the years ended December 31, 2015 and 2014:

- Glowat, a Moroccan private company owned by a close relative of an officer who is also director of the Corporation, charged as part of a project management agreement, management and service fees of \$147,893 which were capitalized to mining assets under development in property, plant and equipment (\$691,541 in 2014), a royalty of \$102,728 (nil in 2014) and an interest of \$263,352 (nil in 2014).
- A firm, of which a director of the Corporation is a partner, charged professional fees amounting to \$74,219 recorded as professional fees and \$26,844 as issuance cost of shares and debt. (\$59,237 in 2014 recorded as professional fees and \$56,628 as issuance cost of debt);
- A company controlled by a director of the Corporation, charged fees of \$6,750 recorded as consulting fees in 2014 (nil in 2015);
- A company controlled by a former officer charged professional fees of \$8,955 in 2014 recorded as professional fees (nil in 2015);
- A firm, of which a director of the Corporation is a partner, charged fees of \$35,000 in 2014 as issuance costs of credit facility (nil in 2015);
- An officer who is also a director of the Corporation received in April 2012, in lieu of a bonus payment, 3 units at a price of \$70,000 per unit and debentures for a principal amount of \$60,000. The settlement in cash for the debentures was paid in 2014.
- An officer of the Corporation charged consulting fees of \$125,000 (\$125,000 in 2014).

As at December 31, 2015, the Corporation had advanced an amount of \$92,881 (\$267,817 in 2014) to officers who are also directors of the Corporation. These advances are non-interest bearing and repayable on demand.

During the year ended December 31, 2015, the Corporation advanced \$460,170 to Glowat for exploration and evaluation work and property, plant and equipment (\$2,455,179 in 2014). As at December 31, 2015, the Corporation has a liability to Glowat amounting to \$4,724,315 (33,866,060 dirham). As at December 31, 2014, the Corporation had a liability of \$4,183,542 (32,709,479 dirham). The amount paid by Glowat in 2015 for the benefits of the Corporation amounted to \$53,765 (\$2,996,636 in 2014) related to acquisition of property, plant and equipment, exploration and evaluation expenses, payment of balances of purchase price payable on behalf of the Corporation for Zgounder and Boumadine (in 2014 only) properties.

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21. RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2015 the balance due to the related parties (excluding the amounts due to Glowat which are presented separately in the consolidated statement of financial position under "Demand promissory note due to a related party") amounted to \$207,650 (\$138,948 in 2014) recorded in accounts payable and accrued liabilities.

In May 2015, the Corporation and Glowat signed a demand promissory note bearing interest at 6% per year representing the amount of the accounts payable and accrued liabilities due to Glowat at that moment. The promissory note recognizes the amount due to Glowat and is in line with the terms of the turn key agreement to develop the Zgounder project between the Corporation and Glowat. Pursuant to the demand promissory note, the Corporation should use in whole or in part the product of further financings to repay Glowat.

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, 2015	Year ended December 31, 2014
	\$	\$
Director fees	39,500	48,178
Salaries	535,980	432,555
Consulting fees	373,956	983,111
Bonuses	-	185,000
Share-based payments	165,498	799,400
	1,114,934	2,448,244

22. 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.

The amount paid by the Corporation to the CIMR in 2015 amount to \$50,205 (382,952 dirham) (\$11,327 (88,558 dirham) in 2014).

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23. 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 is contesting this lawsuit, which it considers 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. During 2015, the court gave judgment in favor of the Corporation.

24. EVENT AFTER THE REPORTING DATE

Financing

In March 2016, the Corporation close 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.

Three directors of the Corporation purchased 17,137,500 units for gross proceeds of \$2,056,500.

In connection with this equity financing, EBRD and the Corporation reached an agreement to draw down an initial tranche of US\$4,500,000 of the loan agreement of US\$6,000,000 that was closed in 2015.

Following the closing of these financings, the Corporation paid an amount of \$1,384,000 (US\$1,000,000) to Glowat as a partial repayment of the demand promissory note.

In March 2016, a director and officer of the Corporation acquired a portion of the demand promissory note owed to Glowat for an amount of \$2,000,000 equivalent to the net book value of this portion. Following the closing of these financings, the Corporation repaid entirely the debt to this director.