



**CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the years ended December 31, 2018 and 2017  
(expressed in Canadian dollars)**

## Independent Auditor's Report

To the Shareholders of  
Maya Gold and Silver Inc.

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**Raymond Chabot  
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### Opinion

We have audited the consolidated financial statements of Maya Gold and Silver Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Karine Desrochers.

*Raymond Chabot Grant Thornton LLP*<sup>1</sup>

Montréal  
March 29, 2019

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A127023

# Maya Gold & Silver Inc.

## Consolidated Statements of Financial Position

(in Canadian dollars)

	Note	December 31, 2018	December 31, 2017
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		25,910,522	7,063,991
Accounts receivable		19,529	16,854
Sales taxes receivable		1,322,345	1,575,668
Inventories	4	1,633,266	2,034,615
Prepaid expenses and security deposits		120,812	29,164
		29,006,474	10,720,292
<b>Non-current</b>			
Restricted investment, 0.5%		10,000	10,000
Non-refundable deposits to suppliers		214,031	230,834
Property, plant and equipment	5	26,874,633	19,773,911
Exploration and evaluation assets	6	7,042,846	5,678,488
<b>TOTAL ASSETS</b>		<b>63,147,984</b>	<b>36,413,525</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		4,757,606	5,016,389
Interest and net profit interest payable to a related party	20	116,571	498,176
Current portion of balance of purchase price payable	7	1,426,778	1,969,497
Current portion of long-term debt	8	98,087	100,868
		6,399,042	7,584,930
<b>Non-current</b>			
Balance of purchase price payable	7	1,825,659	1,467,998
Long-term debt	8	-	7,619,462
Asset retirement obligations	10	1,483,331	1,456,059
<b>TOTAL LIABILITIES</b>		<b>9,708,032</b>	<b>18,128,449</b>
<b>EQUITY</b>			
Share capital	11	93,578,764	50,985,822
Share capital to be issued	11	-	3,267,247
Warrants	11	128,200	2,318,247
Stock options	12	1,682,600	1,256,360
Contributed surplus		8,128,491	6,861,204
Deficit		(49,489,739)	(46,067,484)
Accumulated other comprehensive income (loss)		(588,364)	(336,320)
<b>TOTAL EQUITY</b>		<b>53,439,952</b>	<b>18,285,076</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>63,147,984</b>	<b>36,413,525</b>

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

On behalf of the Board,

/s/ Nouredine Mokaddem

Nouredine Mokaddem, Founder, President, CEO, Director

/s/ Bruno Dumais, CPA, CA

Bruno Dumais, Chief Financial Officer

# Maya Gold & Silver Inc.

## Consolidated Statements of Operations and Comprehensive Loss

(in Canadian dollars)

		Year ended December 31,	
	Note	2018	2017
		\$	\$
<b>Expenses and other items</b>			
Management and administration	13	2,666,303	1,312,355
Investor relations and corporate development		24,465	195,794
Loss (gain) on foreign exchange		(559,896)	(346,666)
Operating loss		2,130,872	1,161,483
Royalties		179,241	330,769
Net profit interest to a related party	20	116,571	433,437
Finance expense	13	995,571	403,110
Gain on extinguishment of debt		-	(549,352)
		3,422,255	1,779,447
Income tax expense		-	383,165
<b>Net loss</b>		<b>3,422,255</b>	<b>2,162,612</b>
<b>Other comprehensive loss</b>			
Foreign currency translation of foreign subsidiaries		252,044	82
<b>Comprehensive loss</b>		<b>3,674,299</b>	<b>2,162,694</b>
Basic and diluted net loss per common share for the year <sup>(1)</sup>		0.05	0.04
Weighted average number of shares - basic and diluted <sup>(1)</sup>		73,130,780	52,741,342

<sup>(1)</sup> On February 27, 2018, the Corporation proceeded with the consolidation of its common shares on a 1 for 4 basis (Note 11); the basic and diluted net loss per share and the number of shares presented in the weighted average number of shares have all been adjusted to reflect the impact of this share consolidation.

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)

	Note	Number of issued and outstanding shares <sup>(1)</sup>	Share capital	Share capital to be issued	Warrants	Stock options	Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
			\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2017</b>		<b>56,487,451</b>	<b>50,985,822</b>	<b>3,267,247</b>	<b>2,318,247</b>	<b>1,256,360</b>	-	<b>6,861,204</b>	<b>(46,067,484)</b>	<b>(336,320)</b>	<b>18,285,076</b>
Issuance of common shares	11	11,891,282	31,664,247	(3,267,247)	-	-	-	-	-	-	28,397,000
Warrants exercised	11	8,940,442	8,550,628	-	(1,128,503)	-	-	-	-	-	7,422,125
Warrants expired	11	-	-	-	(1,061,544)	-	-	1,061,544	-	-	-
Stock options exercised	12	1,037,500	2,378,067	-	-	(781,817)	-	-	-	-	1,596,250
Stock options cancelled	12	-	-	-	-	(84,000)	-	84,000	-	-	-
Share-based payment	12	-	-	-	-	1,413,800	-	-	-	-	1,413,800
Stock options expired	12	-	-	-	-	(121,743)	-	121,743	-	-	-
		78,356,675	93,578,764	-	128,200	1,682,600	-	8,128,491	(46,067,484)	(336,320)	57,114,251
Net loss		-	-	-	-	-	-	-	(3,422,255)	-	(3,422,255)
Other comprehensive loss		-	-	-	-	-	-	-	-	(252,044)	(252,044)
Comprehensive loss		-	-	-	-	-	-	-	(3,422,255)	(252,044)	(3,674,299)
<b>Balance, December 31, 2018</b>		<b>78,356,675</b>	<b>93,578,764</b>	<b>-</b>	<b>128,200</b>	<b>1,682,600</b>	<b>-</b>	<b>8,128,491</b>	<b>(49,489,739)</b>	<b>(588,364)</b>	<b>54,439,952</b>
<b>Balance, December 31, 2016</b>		<b>49,834,904</b>	<b>45,714,774</b>	<b>-</b>	<b>2,967,266</b>	<b>1,724,575</b>	<b>2,013,721</b>	<b>4,415,483</b>	<b>(43,840,800)</b>	<b>(336,238)</b>	<b>12,658,781</b>
Issuance of units		2,884,615	1,159,812	-	340,188	-	-	-	-	-	1,500,000
Maturity of convertible debentures		-	-	-	-	-	(2,013,721)	2,013,721	-	-	-
Warrants exercised		3,717,932	4,005,021	3,267,247	(989,207)	-	-	-	-	-	6,283,061
Share options exercised		50,000	106,215	-	-	(36,215)	-	-	-	-	70,000
Share options expired		-	-	-	-	(432,000)	-	432,000	-	-	-
Share issue costs		-	-	-	-	-	-	-	(64,072)	-	(64,072)
		56,487,451	50,985,822	3,267,247	2,318,247	1,256,360	-	6,861,204	(43,904,872)	(336,238)	20,447,770
Net loss		-	-	-	-	-	-	-	(2,162,612)	-	(2,162,612)
Other comprehensive loss		-	-	-	-	-	-	-	-	(82)	(82)
Comprehensive loss		-	-	-	-	-	-	-	(2,162,612)	(82)	(2,162,694)
<b>Balance, December 31, 2017</b>		<b>56,487,451</b>	<b>50,985,822</b>	<b>3,267,247</b>	<b>2,318,247</b>	<b>1,256,360</b>	<b>-</b>	<b>6,861,204</b>	<b>(46,067,484)</b>	<b>(336,320)</b>	<b>18,285,076</b>

<sup>(1)</sup> On February 27, 2018, the Company proceeded with the consolidation of its common shares on a 1 for 4 basis (Note 11); the number of shares presented in these consolidated statements of shareholders' equity have all been adjusted to reflect the impact of this share consolidation.

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,	
	Note	2018	2017
<b>Cash flows provided by (used in)</b>		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss for the year		(3,422,255)	(2,162,612)
Adjustments for non-cash items and others			
Share-based payments		1,413,800	-
Accretion expense	13	474,057	332,149
Realized loss on foreign exchange of long-term debt		373,800	-
Unrealized loss (gain) on foreign exchange		(684,975)	(460,547)
Gain on extinguishment of debt		-	(549,352)
Changes in working capital items	18	(262,689)	232,398
		(2,108,262)	(2,607,964)
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	5	(12,901,697)	(10,021,066)
Silver sales	5	6,341,836	11,119,263
Acquisition of exploration and evaluation assets	6	(1,095,071)	(319,153)
Proceeds from sale of restricted investment		-	10,000
		(7,654,932)	798,044
<b>FINANCING ACTIVITIES</b>			
Repayment of balance of purchase price payable	7	(809,607)	-
Repayment of convertible debentures		-	(3,050,000)
Repayment of long-term debt	8	(7,996,043)	(131,932)
Issuance of shares and units from private placement (net of issue costs)	11	28,397,000	1,401,713
Proceeds from exercise of warrants and stock options	11,12	9,018,375	6,387,276
		28,609,725	4,607,057
<b>Net change in cash</b>		18,846,531	2,797,137
Cash, beginning of year		7,063,991	4,266,854
<b>Cash, end of year</b>		25,910,522	7,063,991

Supplemental cash flow information

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

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GENERAL INFORMATION

Maya Gold & Silver Inc. ("Maya") is a Canadian-based resource company engaged in the production, acquisition, development and exploration of mineral properties. Maya was incorporated in 2007 under the Canada Business Corporations Act and is listed on the TSX Exchange under the symbol "MYA" (the Corporation graduated from the TSX Venture Exchange on July 31, 2018). Maya's registered office is located at Suite 2200, 1250 René-Lévesque, Montréal, Québec, Canada.

Maya and its subsidiaries (together the "Corporation") owns interest in mineral properties located in Morocco. At December 31, 2018, the Corporation is at the development stage for its Zgounder project, for which the Corporation issued a preliminary economic assessment in 2018, and at exploration and evaluation stage for the other projects in Morocco. The Corporation declared commercial production, as of January 1<sup>st</sup>, 2019 (see note 23), at its Zgounder mine.

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

### 2. NEW OR REVISED STANDARDS OR INTERPRETATIONS

#### *New Standards adopted as at January 1, 2018*

##### **i) IFRS 15 - Revenue from Contracts with Customers**

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively with restatement of comparative periods in accordance with the transition periods from IFRS 15.

IFRS 15 presents new requirements for recognition of revenue, replacing IAS 18. Revenue, IAS 11, Construction Contracts, and several revenue-related interpretations. The Corporation has concluded that there are no significant differences between the timing at which risks and rewards are transferred for its precious metal under previous IAS 18 and the timing of transfer of control under IFRS 15. As such, no adjustment has been recorded to the comparative figures.

##### **ii) IFRS 9 - Financial Instruments**

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and liabilities and introduces an 'expected credit loss' model for the impairment of financial assets. The new standard has been applied retrospectively with restatement of comparative periods.

The adoption of IFRS 9 resulted in a change of classification of the financial assets to the financial assets at amortized cost category while they were classified as loans and receivables under the classification prescribed by IAS 39. There was no change in the classification of financial liabilities. The adoption of IFRS 9 didn't have any impact on the carrying values; therefore, comparative figures have not been restated,

#### ***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 IASB that are not yet effective, and have not been adopted early by the Corporation. Information on those expected to be relevant to the Corporation's consolidated financial statements is provided below.

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

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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 16 - Leases*

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after January 1, 2019.

Management is in the process of assessing the full impact of the standard. So far, the Corporation:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Corporation has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset;
- believes that the most significant impact will be that the Corporation will need to recognise a right of use asset and a lease liability for the office and operating vehicles currently treated as operating leases. At December 31, 2018, the future minimum lease payments amounted to \$112,224. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense;
- concludes that there will not be a significant impact to the finance leases currently held on the statement of financial position.

The Corporation is planning to adopt IFRS 16 on January 1, 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Corporation needs to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Corporation is currently assessing the impact of applying these other transitional reliefs.

## **3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

### ***Basis of measurement***

These consolidated financial statements have been prepared on a historical cost basis.

### ***Statement of compliance***

The Corporation's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2018. IFRS includes IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). 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 on March 29, 2019.

### ***Consolidation, functional and presentation currency***

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 it has power over the entity, when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns.

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

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These consolidated financial statements include the accounts of Maya and its subsidiaries as follows:

<b>Subsidiary</b>	<b>Registered</b>	<b>Ownership and voting Right</b>	<b>Principal activity</b>	<b>Functional Currency</b>
Compagnie Minière Maya-Maroc S.A ("CMMM")	Morocco	100%	Exploration	Moroccan dirham
Zgounder Millenium Silver Mining S.A. ("ZMSM")	Morocco	85%	Development	Moroccan dirham
Atlas Gold & Silver S.A.R.L. ("AGS")	Morocco	100% (n.a.-2017)	Exploration	Moroccan dirham
Metales de la Sierra, S. de R.L. de C.V. "Metales")	Mexico	99%	Inactive	Canadian dollar

Subsidiaries are fully consolidated from the date on which control is transferred to Maya and are de-consolidated from the date that control ceases. 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.

The Corporation's reporting currency is the Canadian dollar which is also the functional currency of Maya. The functional currency of the Corporation and its subsidiaries has remained unchanged during the reporting period.

### **Foreign currency translation**

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date into the respective Corporation's entity currency, whereas non-monetary assets and liabilities denominated in a foreign currency are translated into the respective Corporation's entity 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 except for depreciation that is translated at the historical rate.

Gain and losses on exchange arising from the translation of foreign operations are recorded in the consolidated statements of comprehensive loss.

### **Foreign operations**

Assets and liabilities of the subsidiaries that have a functional currency other than the Canadian dollar are translated into Canadian dollars on consolidation at the exchange rate in effect on the consolidated statement of Financial Position date and revenues and expenses are translated at the average rate over the reporting period. Gains and losses from these translations are recognized in other comprehensive (loss) income.

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.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash balances held with banks and brokers and highly liquid short-term investments with terms of three months or less. Cash and cash equivalents unavailable for use by the Corporation's or its subsidiaries due to certain restrictions that may be in place are classified as cash - restricted.

### **Inventories**

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

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

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

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### ***Property, plant and equipment***

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

When a mining project reaches the development phase, exploration and evaluation expenditures are capitalized to mining assets under development. The development expenditures are capitalized net of net proceeds from sale of ore extracted during the development phase. Capitalized costs, including mineral property acquisition costs, mine development and construction costs, are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management.

Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management including:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- mineral recoveries are at or near the expected production level; and,
- the completion of a reasonable period of testing of the mine plant and equipment.

Upon reaching the commercial production stage, costs are transferred from mining assets under development into the appropriate asset classes and depreciation commences. Once in the production stage, metal sales are recognized as revenue and production costs as a component of mine operating costs.

Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred unless the PPE are used in mineral properties under development for which the costs are capitalized in the mining assets under development.

Depreciation is recognized using the cost of an item of PPE less its estimated residual value, over their estimated useful life.

Depreciation is capitalized to mining assets under development when related to a specific project or to the Exploration and evaluation assets depending on the usage. The carrying amounts of mineral properties are depreciated using the unit-of-production method over the estimated recoverable ounces, when operating levels intended by management for the mining properties have been reached. Under this method, applicable costs are multiplied by the number of ounces extracted divided by the estimated total ounces to be extracted in current and future periods based on proven and probable reserves and a portion of resources. Since all properties of the Corporation were not yet in commercial production, no amortization has been accounted for.

Management reviews the estimated total recoverable ounces contained in the reserves and resources each financial year and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in the reserves and resources are accounted for prospectively.

The carrying amount of an item of PPE 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 PPE is included in profit or loss when the item is derecognized.

### ***Exploration and evaluation assets***

Exploration and evaluation assets ("EE") are comprised of rights on mining properties or options to acquire undivided interests in mining rights, deferred exploration and evaluation expenses and mining properties. Once the legal right to explore has been acquired, they are recorded on a property-by-property 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.

EE costs typically consider 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

# Maya Gold & Silver Inc.

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combination or asset acquisition. EE expenditures also include overhead expenses directly attributable to the related activities.

Upon determination of the technical feasibility and commercial viability of extracting a mineral resource, the Corporation performs an impairment test, based on the recoverable amount, prior to reclassification of EE to PPE under Mining assets under development in accordance with IFRS 6, *Exploration for and evaluation of Mineral Resources*. The demonstration of the technical feasibility and commercial viability, and its approval by the Board of Directors, are the key points at which the Corporation determines that it will develop the project.

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.

As at December 31, 2018 and 2017, all of the Corporation's mining properties are still under the scope of IFRS 6 and therefore subject to the accounting policy as described in exploration and evaluation assets except for the Zgounder property which is considered in development stage and subject to the accounting policy described in PPE.

### ***Impairment of non-financial assets***

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

### ***Provisions***

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

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

- the Corporation has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- the amount can be reliably estimated.

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

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

### ***Post-employment benefits and short-term employee benefits***

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

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

### ***Income taxes***

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

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

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

### ***Share capital and warrants***

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

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### ***Share-based payment transactions***

Equity-settled share-based payments were made in exchange for services received, for the acquisition of properties or for settlement of debentures. The value of the equity instruments granted is determined upon the fair value of the services received or the properties acquired unless impracticable. In such case, the fair value of the services rendered, or the properties acquired is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of share-based payments to directors, officers, employees and consultants with employee-related functions is recognized as an expense over the vesting period with a corresponding increase to the stock 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 stock 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 stock options account are credited to share capital.

### ***Share issue expenses***

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

### ***Other elements of equity***

Accumulated other comprehensive income (loss) includes the impact of converting the accounts of the Corporation's foreign subsidiaries into Canadian dollars. Contributed surplus includes charges related to stock options and warrants expired and amount allocated to the equity component of convertible debentures when the conversion option 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.

### ***Revenue recognition***

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 which is when the purchaser confirms acceptance of the precious metals and has performed weighting and sampling procedures.

Prior to achieving commercial production, net proceeds from metal sales are offset against mining assets under development in PPE.

### ***Segmented information***

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

### ***Leases***

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and



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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 lease's 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 expenses as incurred.

### **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 and liabilities are measured initially at fair value. If the financial asset or liability is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's or liability's acquisition or origination. 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 by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

	Classification
<b>Financial assets</b>	
Cash	Amortized cost
Restricted investment	Amortized cost
Accounts receivable	Amortized cost
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities (except salaries and employee benefits)	Amortized cost
Interest and net profit interest payable to a related party	Amortized cost
Long-term debt (except obligation under finance lease)	Amortized cost
Balance of purchase price payable	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.

### **Financial assets at amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interests. These assets are subsequently measured at amortized cost using the effective interest method. Interests income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Discounting is omitted where the effect of discounting is immaterial. Financial assets at amortized cost include the Corporation's cash and trade and other receivables (excluding sales tax receivable) which were all, under the IAS 39, in the loans and receivables category.

### **Financial liabilities at amortized cost**

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method.

### **Impairment of financial assets**

The Corporation uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial

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recognition of the respective financial instrument.

The Corporation accounts for the expected credit losses using the simplified approach over the life of financial assets measured at amortized cost. Expected credit losses over the life of the asset are expected credit losses for all of the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and takes into account the factors specific to the account receivable, the general condition of the economy and a current as well as expected appreciation of the condition prevailing at the balance sheet date, including the time value of the money, if any.

### ***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.

Significant estimates and judgments used in applying accounting policies that have most significant effect on the amount recognized in the consolidated financial statements are as follows:

#### **i) 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.

#### **ii) Start of commercial production phase**

The Corporation assesses the stage of completion of each mining assets under development 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 development to mining properties. Some of the criteria used to identify the commercial production start date include, but are not limited to:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- mineral recoveries are at or near the expected production level; and,
- the completion of a reasonable period of testing of the mine plant and equipment.

#### **iii) 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.

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### **iv) 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.

### **v) 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.

### **vi) Provision for environmental remediation**

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

### **vii) Impairment of non-financial assets (including PPE)**

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

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

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

The Zgounder property is qualified as being in development stage. It is classified, together with all its related assets, under Mining assets under development in PPE. An impairment test was performed as at December 31, 2018 and 2017, as it is not yet amortized. 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 its Boumadine property when appropriate financing will be raised. Management believes the fundamental outlook for this property remains good for the future.

Since the Corporation pursued its exploration work on the Boumadine property during 2018 under an exploration program, and intends to pursue it in 2019 and that the Corporation honored in early 2019 the fourth payment that was due in December 2018, no impairment indicators was identified with respect to that property as at December 31, 2018.

### **viii) Going concern**

The assessment of the Corporation's ability to continue as a going concern and execute its strategy by funding future working capital and exploration and evaluation activities involves judgment. Estimates and assumptions are continually

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evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas of significant judgments in assessing whether the going concern assumption is appropriate relate, among others, to the expected timing to secure its financing on a timely basis.

### ix) Share-based compensation expense

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

## 4. INVENTORIES

	2018	2017
	\$	\$
Mining supplies	1,077,422	929,730
Precious metals	170,335	728,252
Ore	385,509	376,633
	1,633,266	2,034,615

In 2018, a total of \$4,701,327 (2017 - \$10,781,268) of inventories, corresponding to the production and development cost, were included in mining assets under development in PPE.

## 5. PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation equipment	Furnitures, mining vehicles, Computers	Mining assets under Development	Total
	\$	\$	\$	\$
<b>Year ended December 31, 2018</b>				
<b>Cost</b>				
Balance, beginning of year	435,508	27,521	19,773,911	20,236,940
Additions	428,756	-	12,707,519	13,136,275
Silver sales	-	-	(6,341,836)	(6,341,836)
Impairment	(435,508)	(27,521)	-	(463,029)
Foreign exchange	-	-	306,283	306,283
<b>Balance, end of year</b>	<b>428,756</b>	<b>-</b>	<b>26,445,877</b>	<b>26,874,633</b>
<b>Accumulated depreciation</b>				
Balance, beginning of year	435,508	27,521	-	463,029
Impairment	(435,508)	(27,521)	-	(463,029)
<b>Balance, end of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying value</b>	<b>428,756</b>	<b>-</b>	<b>26,445,877</b>	<b>26,874,633</b>

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	Exploration and evaluation equipment	Furnitures, mining vehicles, Computers	Mining assets under Development	Total
	\$	\$	\$	\$
<b>Year ended December 31, 2017</b>				
<b>Cost</b>				
Balance, beginning of year	435,508	66,298	18,659,216	19,161,022
Additions	-	-	11,380,067	11,380,067
Changes in decommissioning provision	-	-	467,372	467,372
Silver sales	-	-	(11,119,263)	(11,119,263)
Impairment	-	(38,777)	-	(38,777)
Foreign exchange	-	-	186,518	186,518
<b>Balance, end of year</b>	<b>435,508</b>	<b>27,521</b>	<b>19,773,911</b>	<b>20,236,940</b>
<b>Accumulated depreciation</b>				
Balance, beginning of year	435,508	66,298	-	501,806
Impairment	-	(38,777)	-	(38,777)
<b>Balance, end of year</b>	<b>435,508</b>	<b>27,521</b>	<b>-</b>	<b>463,029</b>
<b>Carrying value</b>	<b>-</b>	<b>-</b>	<b>19,773,911</b>	<b>19,773,911</b>

Since the Zgounder property was in development stage as of December 31, 2018, the mining assets under development were not depreciated during the year.

All PPE are located in Morocco.

The mining assets under development include equipment under finance lease of 3,000,000 dirham (\$441,600).

Additions to mining assets under development during the year ended December 31, 2018 include an amount of \$578,096 (2017 - \$887,338) related to capitalized interest.

## 6. EXPLORATION AND EVALUATION ASSETS

	2018	2017
	\$	\$
Rights on mining properties		
Opening balance	4,438,257	4,438,257
Ending balance	4,438,257	4,438,257
Deferred exploration and evaluation expenses		
Opening balance	1,240,231	909,522
Additions		
- Geology	147,258	92,553
- Drilling and sampling	870,687	-
- Administrative	77,127	226,498
Foreign exchange	269,286	11,658
Ending balance	2,604,589	1,240,231
	7,042,846	5,678,488

All EE assets are located in Morocco and relate to the Boumadine and Azegour project.

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### Boumadine project

The exploration expenditures on the property were for the acquisition of rights as well as prospecting and drilling efforts in order to assess mineral reserves.

In February 2013, the Corporation and L'Office National des Hydrocarbures et des mines ("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 while ONHYM retained remaining 15% ownership.

The transfer of the property will occur once all requirements are complete, as more described in note 7.

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 (\$14,720) until production begins.

## 7. BALANCE OF PURCHASE PRICE PAYABLE

	2018	2017
	\$	\$
Balance, beginning of year	3,437,495	3,621,637
Accretion expense	446,785	278,586
Repayments	(809,607)	-
Gain on extinguishment of debt	-	(549,352)
Foreign exchange	177,764	86,624
Balance, end of year	3,252,437	3,437,495
Current portion	1,426,778	1,969,497
Non-current portion	1,825,659	1,467,998

The Convention, signed in February 2013, considers total cash payments of 28,000,000 Moroccan dirham ("MAD") (\$3,357,200) of which 18,000,000 MAD (\$2,341,407) has already been paid and a final payment of 10,000,000 MAD (\$1,427,000) is supposed to be paid in December 2018, which was effectively paid in January 2019. In addition, an amount of 15,000,000 MAD (\$2,140,000) which relates to past expenses incurred by the seller is payable when a subsidiary will be created, and the property be transferred to this new subsidiary. Also, this amount can be applied as a capital contribution of the future subsidiary, at the seller's request.

The transfer of the property will occur once a separate company owned at 85% by the Corporation and 15% by ONHYM has been established in Morocco under the terms of the Convention, a letter of credit amounting to 2,200,000 MAD (\$313,889) has been subscribed by the Corporation to the benefit of ONHYM and all cash payments have been completed.

In December 2017, ONHYM and the Corporation agreed that the additional amount of 15,000,000 MAD (\$2,140,000) will be payable only when a subsidiary will be created, which should not be earlier than January 2020. The terms of the debt were significantly different from the original terms, as such the amendment was considered to be an extinguishment of the balance of purchase price and recorded a gain on extinguishment of debt in 2017.

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.

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The balance of purchase price does not bear interest. The initial purchase price was discounted with an interest rate of 16%.

### 8. LONG-TERM DEBT

	2018	2017
	\$	\$
European Bank for Reconstruction and Development Loan	-	7,527,000
Obligation under finance lease	98,087	193,330
	98,087	7,720,330
Current portion	98,087	100,868
Non-current portion	-	7,619,462

#### *European Bank for Reconstruction and Development Loan ("EBRD")*

In September 2015, the Corporation and EBRD signed a loan agreement for \$8,304,000 (US\$6,000,000). The financing consisted of a loan bearing 8% interest payable semi-annually on September 30th and March 31st of each year, and of 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 payable on May 31st of each year.

On June 29, 2018, the Corporation reimbursed in full \$7,914,600 (US\$6,000,000) of the outstanding debt under the EBRD. The Corporation incurred debt prepayment fee of \$678,079 consisting of interest and penalties.

#### *Obligation under finance lease*

The obligation bears interest at 6.31%, payable in monthly instalments of \$10,434 (70,882 dirham) and maturing in December 2019.

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

	\$
2019	101,627
Total minimum payments	101,627
Amounts included in minimum payments - interest	(3,540)
	98,087

### 9. CONVERTIBLE DEBENTURES

	2018	2017
	\$	\$
Balance, beginning of year	-	3,004,566
Accretion expense	-	45,434
Repayment	-	(3,050,000)
	-	-

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

### 10. ASSET RETIREMENT OBLIGATIONS AND PROVISION FOR ENVIRONMENTAL

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.

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

As at December 31, 2018, the estimated inflation-adjusted discounted cash flows required to settle the asset retirement obligations amounts to \$1,483,331 (\$1,456,059 in 2017). The discount rate used is 2.12% (1.86% in 2017) and the disbursements are expected to be made varying between 2021 and 2028 (2028 in 2017). 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 and taking into consideration a normal inflation rate over time until 2028, for inflated costs varying from \$1,500,000 to \$1,800,000.

	2018	2017
	\$	\$
Balance, beginning of year	1,456,059	977,779
New obligation	-	467,372
Accretion expense	27,272	10,908
	1,483,331	1,456,059

## 11. SHARE CAPITAL

### Share consolidation

In February 2018, the shareholders approved a special resolution for the Corporation to consolidate its issued and outstanding common shares on a four-to-one (4:1) basis. All references in these consolidated financial statements to issued and outstanding common shares, warrants and stock options have been retrospectively restated to reflect the shares consolidation.

### Authorized

The Corporation is authorized to issue an unlimited number of common shares without par value.

#### a) Common Shares

In 2018, 9,977,942 common shares were issued as a result of 8,940,442 warrants and 1,037,500 stock options being exercised for total aggregate value of \$9,018,375. The Corporation also issued 8,605,152 common shares at a price of \$3.30 per common share under a non-brokered private placement for net proceeds of \$28,397,000. Also, the Corporation issued 3,286,130 common shares from proceeds of \$3,267,247 received in 2017.

In 2017, the Corporation completed a private placement of 2,884,615 units at \$0.52 per unit for a total cash consideration of \$1,500,000. Each unit was comprised of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of \$0.80 until September 2018. Four directors of the Corporation purchased a total of 2,596,154 units. An amount of \$340,188 was allocated to the warrants. The fair value of the warrants was determined based on the Black-Scholes option pricing model using an expected volatility of 76%, a risk-free interest rate of 0.87%, and expected dividend yield of 0% and an expected life of 18 months. The Corporation also received \$6,353,061 from the exercise of 3,717,932 warrants and 50,000 stock options.

#### b) Warrants

The respective changes in the outstanding warrants during the year are summarized as follows:

	December 31, 2018		December 31, 2017	
	Number	Weighted average exercise price (\$)	Number	Weighted Average Exercise price (\$)
Balance, beginning of year	14,277,204	0.96	18,396,650	0.96
Issued	-	-	2,884,615	0.80
Exercised	(8,940,442)	0.96	(7,004,061)	0.88
Expired	(4,036,762)	1.30	-	-
Balance, end of year	1,300,000	0.68	14,277,204	0.96



# Maya Gold & Silver Inc.

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The following table presents the details of the issued and outstanding warrants as at December 31, 2018:

	Number	Exercise price	Expiry
Total	1,300,000	0.68	June 2019

## 12. STOCK OPTIONS

The Corporation adopted during 2018 amendments to its incentive stock option plan (the "Plan") which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the TSX 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 7,500,000 (2017 – 2,500,000) 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 vesting period of the options is determined at the discretion of the Corporation's Board of Directors at the time the options are granted.

The respective changes in the outstanding stock options during the years are summarized as follows:

	December 31, 2018		December 31, 2017	
	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Balance, beginning of year	1,593,750	1.60	2,052,500	1.60
Granted	890,000	3.23	-	-
Expired	(162,500)	1.40	(408,750)	1.48
Exercised	(1,037,500)	1.54	(50,000)	1.40
Cancelled	(93,750)	2.00	-	-
Balance, end of year	1,190,000	2.92	1,593,750	1.60
Exercisable, end of year	1,190,000	2.92	1,593,750	1.60

During the year ended December 31, 2018, 1,037,500 stock options were exercised at a price of \$1.54 per common share while weighted average closing stock market price was \$2.72. During the year ended December 31, 2017, 50,000 stock options were exercised at a price of \$1.40 per common share while the closing stock market price of the shares was \$1.48.

The following table presents the stock options issued and outstanding as at December 31, 2018:

Expiry date	Number of options	Exercise price	Remaining contractual life	Number of options exercisable
		\$	Years	
May 2019	300,000	2.00	0.60	300,000
January 2023	50,000	2.00	4.32	50,000
May 2023	800,000	3.30	4.59	800,000
June 2023	40,000	3.30	4.72	40,000
	1,190,000	2.92	3.58	1,190,000

The weighted fair value of \$1.58 stock options granted during the year ended December 31, 2018 was estimated using a Black-Scholes valuation model and the following weighted assumptions at inception: estimated life: 5 years, actual stock price: \$2.81 and 2.58, volatility: 75%, dividend yield: 0%, risk-free rate: 2.1% and an exercise price of \$3.23. The expressed volatility was determined using the historical volatility of the Corporation's share price according to each expected life of the options.

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

### 13. ADDITIONAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS

The following is a breakdown of the nature of expenses included in management and administration expenses and finance expense for the year ended December 31:

#### Management and administration expenses

	2018	2017
	\$	\$
Salaries and benefits	196,579	313,933
Consulting fees	209,994	177,207
Share-based payments	1,413,800	-
Office	226,712	168,178
Professional fees	323,549	604,993
Reporting issuer fees	295,669	48,044
	2,666,303	1,312,355

#### Finance expense

	2018	2017
	\$	\$
Interest income	(256,824)	(59,735)
Interest expense	100,259	121,449
Accretion expense	474,057	341,396
Debt prepayment fee	678,079	-
	995,571	403,110

#### Expenses recognized for employee benefits

	2018	2017
	\$	\$
Salaries and bonuses	2,399,553	2,296,475
Fringe benefits costs	672,630	626,704
Post-employment benefits and short-term employee benefits (note 21)	98,802	91,839
Post-employment benefits from government plans	93,692	99,534
Share-based payments	1,413,800	-
	4,678,477	3,114,552

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

### 14. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	2018	2017
	\$	\$
Loss before income tax	(3,422,255)	(1,779,447)
Statutory income tax rate	26.7%	26.8%
Expected income tax recovery	(913,742)	(476,892)
Share-based payments	377,485	-
Effect of tax rate in foreign jurisdictions	59,686	(25,706)
Non-deductible expenses	2,083	(49,769)
Unrecognized tax assets	471,520	116,016
Expiration of tax losses	746	8,779
Foreign exchange	-	149,574
Withholdings and minimum tax	-	383,165
Other	2,222	277,998
Income tax	-	383,165

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

	2018	2017
	\$	\$
Non-capital loss carry-forwards	15,727,923	16,117,741
Property, plant and equipment	529,985	572,736
Exploration and evaluation assets	10,952,265	10,141,470
Share issue costs	136,139	301,746
Unrealized capital loss	341,700	82,968
Capital loss	574,659	574,659
	28,262,671	27,791,319

Recognized deferred tax assets and liabilities are as follows:

	December 31, 2017	Recognized in profit or loss	Recognized in equity	December 31, 2018
	\$	\$	\$	\$
Non-capital loss carry-forwards	163,069	114,690	-	277,759
Property plant and equipment	36,174	-	-	36,174
Balance of purchase price payable	(163,069)	(114,690)	-	(277,759)
Exploration and evaluation assets	(36,174)	-	-	(36,174)
	-	-	-	-

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## Notes to the Consolidated Financial Statements

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

Non-capital losses available in Canada expire as follows:

	Canada
	\$
2029	666,547
2030	1,311,851
2031	1,908,529
2032	1,490,100
2033	1,041,083
2034	2,632,331
2035	1,654,743
2036	551,793
2037	1,153,763
2038	1,266,196
	16,676,936

As at December 31, 2018, the Corporation had unused tax losses in Morocco of \$2,350,302 (\$3,332,875 in 2017) expiring from 2019 to 2021 as well as unused tax losses in Mexico of \$483,698 (\$478,284 in 2017).

## 15. CAPITAL MANAGEMENT

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

- to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions;
- to ensure the externally imposed capital requirements relating to debt obligations are being met;
- to increase the value of the Corporation's assets; and
- 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, 2018, capital is \$53,538,039 (\$26,005,406 as at December 31, 2017). 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, 2018.

## 16. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

Years ended December 31, 2018 and 2017 (in Canadian dollars)

were no changes to the financial objectives, policies and processes during the years ended December 31, 2018 in 2017. 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. The Corporation's cash is mostly held with highly rated Canadian or Moroccan banks. Therefore, credit risk is not considered significant.

### **Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Over the period, the Corporation generates cash flow from its financing activities and from the sales realized at the Zgounder mine during the development phase. The Corporation mitigates liquidity risk through the implementation of its Capital Management Policy by managing its capital expenditures, forecast and operational cash flows, and by maintaining adequate lines of credit, if needed.

The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2018:

	Carrying amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities (except salaries and employee benefits)	4,021,022	4,021,022	4,021,022	-	-
Interest and net profit interest due to a related	116,571	116,571	116,571	-	-
Balance of purchase price	3,252,437	3,565,778	1,426,778	-	2,139,000
Obligation under finance lease	98,087	98,097	98,097	-	-
	7,043,724	7,043,724	5,662,468	-	2,139,000

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

	Carrying amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities (except salaries and employee benefits)	4,606,400	4,606,400	4,606,400	-	-
Interest and net profit interest due to a related	498,176	498,176	498,176	-	-
Balance of purchase price	3,437,495	4,169,190	2,151,840	-	2,017,350
Loan	7,527,000	8,917,399	612,286	3,972,86	4,332,244
Obligation under finance lease	193,329	219,257	114,395	104,862	-
	16,262,400	18,410,422	7,983,097	4,077,73	6,349,594

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

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### 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, ZMSM and AGS for which the functional currency is the Moroccan dirham. The Corporation has not entered into any derivative contracts to manage this risk. Transactions related to the Corporation's exploration and evaluation activities are mainly denominated in Moroccan dirham. Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are as follows:

December 31, 2018	CA dollar	US dollar	Dirham
Cash	102,903	74,679	552,122
Accounts receivable	-	-	15,013
Accounts payables and accrued liabilities	-	(142,557)	(2,938,941)
Interest and net profit interest due to a related party	-	-	(116,571)
Obligation under capital lease	-	-	(98,087)
Intercompany loans	(7,140,950)	(2,046,300)	8,392,446
Balance of purchase price payable	-	-	(3,252,437)
	<b>(7,038,047)</b>	<b>(2,114,178)</b>	<b>(5,324,747)</b>

December 31, 2017	CA dollar	US dollar	Dirham
Cash	-	1,869,934	-
Accounts receivable	-	12,337	-
Accounts payable and accrued liabilities	-	(602,284)	(158,101)
Interest and net profit interest due to a related party	-	-	(498,176)
Loan	-	(7,527,000)	-
Intercompany loans	(5,109,850)	-	7,910,189
Balance of purchase price payable	-	-	(3,437,495)
	<b>(5,109,850)</b>	<b>(6,247,013)</b>	<b>(3,816,417)</b>

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, 2018 would be approximately \$430,000 (\$754,045 in 2017).

## 17. FINANCIAL INSTRUMENTS

The classification of financial instruments is summarized as follows, as at December:

	Classification	2018	2017
<b>Financial assets</b>		<b>\$</b>	<b>\$</b>
Cash	Financial assets at amortized cost	25,910,522	7,063,991
Restricted investment	Financial assets at amortized cost	10,000	10,000
Accounts receivable	Financial assets at amortized cost	19,529	16,854
		<b>25,940,051</b>	<b>7,090,845</b>
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	4,021,022	4,606,400
Interest and net profit interest to a related	Financial liabilities at amortized cost	116,571	498,176
Balance of purchase price payable	Financial liabilities at amortized cost	3,252,437	3,437,495
Long-term debt	Financial liabilities at amortized cost	-	7,527,000
		<b>7,390,030</b>	<b>16,069,071</b>

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

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### Fair value of financial instruments

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

The fair value of the balance of purchase price for the acquisition of the Boumadine property and the loan is based on discounted cash flows and is not materially different from their carrying value because there was no material change in the assumptions used for fair value determination at inception. Therefore, their principal amounts approximate their fair value.

### Fair value hierarchy

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

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

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

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

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

#### December 31, 2018

Recurring measurements	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Balance of purchase price payable	-	-	3,252,437	3,252,437
	-	-	3,252,437	3,252,437

#### December 31, 2017

Recurring measurements	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Balance of purchase price payable	-	-	3,437,495	3,437,495
Long-term debt	-	-	7,527,000	7,527,000
	-	-	10,964,495	10,964,495

During the years ended December 31, 2018 and 2017, there were no transfers between Level 1, Level 2 and Level 3.

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

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### 18. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
	\$	\$
<b>Changes in working capital items</b>		
Accounts receivable	(2,677)	(16,854)
Sales taxes receivable	320,467	(555,527)
Inventories	508,214	(53,391)
Prepaid expenses and security deposits	(20,311)	340,472
Advances to related parties	-	(31,044)
Accounts payable and accrued liabilities	(732,435)	31,195
Net profit interest payable to a related party	(381,605)	(21,274)
Non-refundable deposits to suppliers	45,658	536,041
	(262,689)	226,848
<b>Non-cash transactions</b>		
Finance expense recorded in PPE	578,096	353,557
Additions to PPE not paid	4,344,274	4,109,696
Asset retirement obligations recorded in PPE	-	467,372
Interest paid, included in operating activities	100,259	68,182

### 19. COMMITMENTS AND GUARANTEES

#### Lease agreement

As at December 31, 2018, the Corporation had commitments under the terms of a lease for office premises and office equipment ending in May 2019 and May 2021 totaling \$112,224.

	2018	2017
	\$	\$
Less than 1 year	58,235	12,440
Between 1 and 5 years	53,989	-
	112,224	12,240

Rent expenses for the year ended December 31, 2018 amount to \$76,647 (\$29,856 in 2017).

In addition of the commitments disclosed in Note 6, 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 or 1,251,325 dirhams (\$172,756) for the year ended December 31, 2018 (2,474,108 dirhams (\$330,769) for the year ended December 31, 2017);
- 3.0% royalty to ONHYM on revenue from the Boumadine property.



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### Net profit interest

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".

## 20. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017 the following related party transactions occurred in the normal course of operations:

- A firm, of which a director of the Corporation is a partner, charged professional fees amounting to \$90,518 recorded as professional fee. (2017 - \$61,019) and \$nil as share issuance costs (2017 - \$48,475);
- Glowat, a private company owned by a party related to an officer and director of the Corporation charged a net profit interest expense of \$116,571 (2017 - \$433,437).

During the year ended December 31, 2018, the Corporation paid \$498,176 (2017 – \$300,000) to Glowat in settlement of amounts owing. As at December 31, 2018, the Corporation had a liability to Glowat amounting to 817,011 Moroccan dirham or \$116,571 (2017 – 4,314,414 Moroccan dirham or \$498,176).

### 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. During the years ended December 31, 2018 and 2017, the remuneration awarded to key management personnel (including the amounts above) is as follows:

	2018	2017
		\$
Salaries and benefits	348,506	387,434
Management consulting and professional fees	96,590	470,296
Directors fees	64,346	52,582
Share-based payments	1,413,800	-
	1,923,242	910,312

## 21. POST-EMPLOYMENT BENEFITS

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

## 22. CONTINGENCY

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

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

# Maya Gold & Silver Inc.

## Notes to the Consolidated Financial Statements

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### **23.** Change in classification and presentation

The Corporation reviewed the classification of previous additions to PPE and reclassified \$739,464 as at December 31, 2017 from PPE to EE. Management believes that this new classification and presentation provides a clearer picture of the Corporation's assets. Comparative figures have been presented accordingly.

### **24.** Subsequent event

In January 2019, the Corporation reached commercial production level at its Zgounder mine. As of January 1, 2019, The Corporation will reclassify its Property, plant and equipment from mining assets under development to its specific categories. Prior to reclassifying the assets, the Corporation conducted an impairment test and concluded no impairment was required.

Accordingly, depreciation will be accounted for, starting January 1, 2019, as described in Note 3.