CONSOLIDATED
FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

In **United States dollars**

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

	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$
ASSETS			
Current			
Cash	**16,621,291**	19,000,163	5,619,275
Accounts receivable and other receivables	**1,203,634**	14,321	13,407
Sales taxes receivable	**929,706**	969,674	1,253,415
Inventories (Note 4)	**2,241,272**	1,197,673	1,618,499
Prepaid expenses and security deposits	**39,663**	88,591	23,199
	21,035,566	21,270,422	8,527,795
Non-current			
Restricted investment	**7,698**	7,334	7,955
Non-refundable deposits to suppliers	**298,222**	156,949	183,624
Property, plant and equipment (Note 5)	**20,166,918**	19,707,144	15,729,784
Exploration and evaluation assets (Note 6)	**6,652,763**	5,164,555	4,517,133
TOTAL ASSETS	**48,161,167**	46,306,404	28,966,291
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**3,684,211**	3,488,748	3,990,445
Interest and net profit interest payable to a related party (Note 23)	**191,423**	85,481	396,290
Current portion of balance of purchase price payable (Note 7)	**1,547,415**	1,046,255	1,566,699
Current portion of long-term debt (Note 8)	**56,996**	71,927	80,239
	5,480,045	4,692,411	6,033,673
Non-current			
Long-term debt (Note 8)	**20,978**	-	6,061,142
Balance of purchase price payable (Note 7 and 19)	**-**	1,338,754	1,167,765
Asset retirement obligations (Note 9)	**1,129,012**	1,087,725	1,158,268
Deferred income tax (Note 16)	**648,695**	**-**	**-**
TOTAL LIABILITIES	**7,278,730**	7,118,890	14,420,848
EQUITY			
Share capital (Note 10)	**79,158,411**	78,439,692	45,216,872
Share capital to be issued	**-**	-	2,570,948
Share purchase warrants (Note 11)	**-**	96,737	1,749,295
Share purchase options (Note 12)	**1,167,349**	1,367,349	1,191,233
Contributed surplus	**7,640,353**	7,440,353	6,446,839
Deficit	**(43,799,620)**	(43,100,352)	(40,436,526)
Accumulated other comprehensive loss	**(3,678,543)**	(5,056,265)	(2,193,218)
	40,487,950	39,187,514	14,545,443
Non-controlling interests	**394,487**	-	-
TOTAL EQUITY	**40,882,437**	39,187,514	14,545,443
TOTAL LIABILITIES AND EQUITY	**48,161,167**	46,306,404	28,966,291

Contingency (Note 25)
Subsequent events (Note 27)
The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board,

Benoit La Salle FCPA, FCA, MBA,
President, Chief Executive Officer, Director

Ugo Landry-Tolszczuk P. Eng, CFA
Chief Financial Officer

Maya Gold & Silver Inc.
Consolidated Statements of Comprehensive Income (Loss)
(in United States dollars)

	Year ended December 31,	
	2019	2018
	$	$
Revenue from silver sales (Note 13)	**6,081,400**	-
Cost of sales (note 14)	4,766,577	-
Gross margin	**1,314,823**	-
Expenses		
Management and administration (Note 15)	**670,507**	2,059,831
Investor relations and corporate development	**130,020**	20,859
Royalties	**177,341**	138,446
Net profit interest to a related party (Notes 22 and 23)	**203,219**	90,216
Loss (gain) on foreign exchange	**90,815**	(415,520)
	1,271,902	1,893,832
Operating income (loss) for the year	**42,921**	(1,893,832)
Net finance (income) expense (Note 15)	**(59,214)**	769,994
Income (loss) before income taxes	**102,135**	(2,663,826)
Income tax expense (Note 16)	**29,953**	-
Deferred income taxes expense (Note 16)	**648,695**	-
	678,648	-
Net loss	**(576,513)**	(2,663,826)
Net loss attributable to		
Equity holders of Maya Gold & Silver Inc.	**(659,115)**	(2,663,826)
Non-controlling interests	**82,602**	-
Net loss	**(576,513)**	(2,663,826)
Other comprehensive income (loss)		
Items that will subsequently be reclassified to net income (loss):		
Foreign currency translation adjustment	**1,377,722**	(2,863,047)
Comprehensive income (loss) for the year	**801,209**	(5,526,873)
Basic loss per common share for the year (Note 21)	**(0.007)**	(0.04)
Diluted loss per common share for the year (Note 21)	**(0.007)**	(0.04)
Weighted average number of shares - basic	**79,053,123**	73,130,780
Weighted average number of shares - diluted	**79,053,123**	73,130,780

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

Maya Gold & Silver Inc.
Consolidated Statements of Changes in Equity
(in United States dollars)

	Number of issued and outstanding shares	Share capital	Share capital to be issued	Warrants	Share purchase options	Contributed surplus	Deficit attributable to equity holders of Maya Gold & Silver Inc.	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
		$		$	$	$	$	$	$	$
Balance as at December 31, 2018	**78,356,675**	**78,439,692**	**-**	**96,737**	**1,367,349**	**7,440,353**	**(43,100,352)**	**(5,056,265)**	**-**	**39,187,514**
Warrants exercised (Note 11)	1,300,000	771,776	-	(96,737)	-	-	-	-	-	675,039
Repurchase of common shares (Note 10)	(53,355)	(53,057)	-	-	-	-	(40,153)	-	-	(93,210)
Share purchase options expired (Note 12)	-	-	-	-	(200,000)	200,000	-	-	-	-
Initial recognition of non-controlling interest										
(note 5)	-	-	-	-	-	-	-	-	311,885	311,885
	79,603,320	79,158,411	-	-	1,167,349	7,640,353	(43,140,505)	(5,056,265)	311,885	40,081,228
Net (loss) income for the year	-	-	-	-	-	-	**(659,115)**	-	**82,602**	**(576,513)**
Other comprehensive income	-	-	-	-	-	-	-	**1,377,722**	-	**1,377,722**
Comprehensive income for the year	-	-	-	-	-	-	**(659,115)**	**1,377,722**	**82,602**	**801,209**
Balance as at December 31, 2019	**79,603,320**	**79,158,411**	**-**	**-**	**1,167,349**	**7,640,353**	**(43,799,620)**	**(3,678,543)**	**394,487**	**40,882,437**
Balance as at January 1, 2018	56,487,451	45,216,872	2,570,948	1,749,295	1,191,233	6,446,839	(40,436,526)	(2,193,218)	-	14,545,443
Issuance of shares (Note 11)	11,891,282	24,568,778	(2,570,948)	-	-	-	-	-	-	21,997,830
Warrants exercised (Note 11)	8,940,442	6,671,901	-	(851,541)	-	-	-	-	-	5,820,360
Warrants expired (Note 11)	-	-	-	(801,017)	-	801,017	-	-	-	-
Share purchase options exercised			-						-	
(Note 12)	1,037,500	1,982,141		-	(727,151)	-	-	-		1,254,990
Share purchase options expired (Note 12)	-	-	-	-	(192,497)	192,497	-	-	-	-
Share-based payments (Note 12)	-	-	-	-	1,095,764	-	-	-	-	1,095,764
	78,356,675	78,439,692	-	96,737	1,367,349	7,440,353	(40,436,526)	(2,193,218)	-	44,714,387
Net loss for the year	-	-	-	-	-	-	(2,663,826)	-	-	(2,663,826)
Other comprehensive loss	-	-	-	-	-	-	-	(2,863,047)	-	(2,863,047)
Comprehensive loss for the year	-	-	-	-	-	-	(2,663,826)	(2,863,047)	-	(5,526,873)
Balance as at December 31, 2018	78,356,675	78,439,692	-	96,737	1,367,349	7,440,353	(43,100,352)	(5,056,265)	-	39,187,514

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

Maya Gold & Silver Inc.
Consolidated Statements of Cash Flows
(in United States dollars)

	Year ended December 31,	
	2019	2018
Cash flows provided by (used in)	**$**	$
OPERATING ACTIVITIES		
Net loss for the year	**(576,513)**	(2,663,826)
Adjustments for non-cash items		
Share-based payments	**-**	1,095,764
Amortization	**1,602,447**	-
Accretion expense	**254,537**	364,717
Realized loss on foreign exchange of long-term debt	**-**	282,661
Unrealized loss (gain) on foreign exchange	**358,621**	(495,686)
Deferred income taxes expense	**648,695**	**-**
Changes in working capital items (Note 20)	**1,286,749**	(225,714)
	3,574,536	(1,642,084)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 5)	**(4,998,051)**	(9,940,015)
Silver sales (Note 5)	**-**	4,912,953
Acquisition of exploration and evaluation assets (Note 6)	**(1,127,821)**	(845,899)
	(6,125,932)	(5,872,961)
FINANCING ACTIVITIES		
Repayment of balance of purchase price payable (Note 7)	**(1,040,850)**	(640,107)
Repayment of long-term debt (Note 8)	**(143,302)**	(6,194,597)
Proceeds from exercise of warrants (Notes 11 and 12)	**675,039**	7,075,350
Repurchase of common shares	**(93,210)**	-
Issuance of shares (net of issue costs)	**-**	21,997,830
	(602,323)	22,238,476
Effect of exchange rate changes on cash in foreign currencies	**774,847**	(1,342,543)
Net change in cash	**(2,378,872)**	13,380,888
Cash, beginning of year	**19,000,163**	5,619,275
Cash, end of year	**16,621,291**	19,000,163

Supplemental cash flow information (Note 20)

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

1. GENERAL INFORMATION

Maya Gold & Silver Inc. ("Maya") is a Canadian-based resource company engaged in the production, acquisition, development and exploration and operation of mineral properties. Maya was incorporated on December 19, 2007 under the Canada Business Corporations Act and is listed on the TSX Exchange ("TSX") under the symbol "MYA" (the Corporation graduated from the TSX Venture Exchange on July 31, 2018). Maya's registered office is located at 1320 boulevard Graham, suite 132, Mont-Royal, Québec, Canada, H3P 3C8.

Maya and its subsidiaries (together the "Corporation") own interest in mineral properties located in Morocco. At December 31, 2019, the Corporation is at the commercial production stage for its Zgounder project and at exploration and evaluation stage for the other projects in Morocco. Their operations include the acquisition, exploration, evaluation and development of mining properties.

The Corporation declared commercial production, as of January 1st, 2019, at its Zgounder mine. The Zgounder property is held by Zgounder Millenium Silver Mining S.A ("ZMSM").

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 exploration, and while it has been successful in doing so in the past, some external factors like global economy or commodities market could limit the success of capital raising in the future.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

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

Statement of compliance

The consolidated financial statements of the Corporation 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, 2019. IFRS included 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 these consolidated financial statements, effective May 12, 2020.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting judgments and estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year.

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:

Start of development phase

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

Start of commercial production phase

The Corporation assesses the stage of completion of each mining assets under 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.

Basis of depletion of mining sites in production

Property, plant and equipment of mining sites in production are depleted according to the units-of-production method to write down the cost to residual value. Management estimates the residual value of property, plant and equipment based on the estimated fair value as of the financial position date. For these assets, the depletion rate is calculated based on the number of ounces of silver sold in proportion to the number of ounces in measured and indicated resources.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting judgments and estimates *(continued)*

Basis of depletion of mining sites in production (continued)

The Corporation estimates its resources using information compiled by qualified persons who work as an external consultant for the Corporation. This information relates to geological data on the size, depth and shape of the deposit and requires geological assessments to interpret the data.

The assessment of measured and indicated resources is based on factors such as the estimated exchange rate, price of metals, capital investments required and production costs stemming from geological assumptions based on the size and grade of the deposit. Changes in measured and indicated resources could have an impact on the net carrying amount of property, plant and equipment, asset retirement obligations, recognition of deferred tax assets and amortization, depreciation and depletion expenses.

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.

Provisions and contingent liabilities

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

Asset retirement obligations

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

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting judgments and estimates *(continued)*

Provision for environmental remediation

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

Impairment of non-financial assets

Non-financial assets are reviewed for an indication of impairment at each consolidated statement of financial position date or when a triggering event is identified. This determination requires significant judgment. Factors which could trigger an impairment review for exploration and evaluation assets 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 commercial production as of January 1, 2019 and in development in 2018. It is classified since January 1, 2019, when it reached the commercial production phase, together with all its related assets, under property, plant and equipment, within different categories. Before that date, the Zgounder property was considered in development phase and it was classified with its related assets under the caption "Mining asset under development" of property, plant and equipment. An impairment test was performed as at December 31, 2019, as the Corporation changed its business model to include the sale of concentrated silver. An impairment was performed in 2018 as the related assets were not amortized. Several assumptions were required such as the expected cash flows, the future price of silver and of the future foreign currency rate of MAD to US dollar and the discount rate.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting judgments and estimates *(continued)*

Impairment of non-financial assets (continued)

Key sources of estimation uncertainty:

Management's assumptions and estimates of future cash flows used in the Corporation's impairment assessment of non-financial assets are subject to risk and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of the Corporation's control.

If an indication of impairment or reversal of a previous impairment charge exists, an estimate of the CGU's recoverable amount is calculated. The recoverable amount is based on the higher of fair value less costs of disposal ("FVLCD") and value-in-use ("VIU") using a discounted cash flow method taking into account assumptions that would be made by market participants, unless there is a market price available based on a recent purchase or sale of a similar group of assets. Cash flows cover periods up to the date that mining is expected to cease, which depends on a number of variables including recoverable mineral reserves and resources, expansion plans and the forecasted selling prices of silver.

Judgments made in relation to accounting policies

Both internal and external sources of information are required to be considered when determining whether there is any indication of impairment or that a previous impairment has reversed. Judgment is required around adverse changes in the business climate which may be indicators for impairment such as a significant decline in the asset's market value, decline in resources and/or reserves as a result of geological re-assessment or change in timing of extraction of resources and/or reserves which would result in a change in the discounted cash flow obtained from the site, and lower metal or product prices or higher input cost prices than would have been expected since the most recent valuation of the site.

Judgment is required to determine whether there are indications that the carrying amount of the Zgounder project is unlikely to be recovered in full from successful development of the project or by sale. Judgment is also required when considering whether significant positive changes indicate that a previous impairment of assets may have reversed.

Management plans to execute further substantive exploration and evaluation activities on its Boumadine and Azegour properties when appropriate financing will be raised. Management believes the fundamental outlook for these properties remains good for the future.

Since the Corporation pursued its exploration work on the Boumadine property during 2019 under an exploration program, and intends to pursue it in 2020 and that the Corporation honored in early 2019 the fourth and last payment that was due in December 2018, no impairment indicators was identified with respect to that property as at December 31, 2019 and 2018.

The Corporation also started exploration work on the Azegour property during 2019 under an exploration program, and intends to pursue it in 2020, no impairment indicators was identified with respect to that property as at December 31, 2019 and 2018.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant accounting judgments and estimates *(continued)*

Going concern

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

Functional currency

Judgment was applied in determining the functional currency of the Corporation's production entity (ZMSM) based on its mine operating costs and revenues and capital expenditures, exploration and administration costs.

Leases

As described in Note 3, the Corporation has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Policy applicable as of January 1, 2019

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is amortized over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability using the effective interest method and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease payments relating to leases with a lease term of 12 months or less and leases for which the underlying asset is of low value are recognized on a straight-line basis as an expense in profit or loss.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Policy applicable before January 1, 2019

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the 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.

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.

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

Subsidiary	Registered	Ownership and voting Right	Principal activity	Functional Currency
Compagnie Minière Maya-Maroc S.A. ("CMMM")	Morocco	100%	Exploration	Moroccan dirham
Zgounder Millenium Silver Mining S.A. ("ZMSM")	Morocco	85%	Production	Moroccan dirham
Boumadine Global Mining S.A. ("BGM")	Morocco	85% (n/a in 2018)	Exploration	Moroccan dirham
Atlas Gold & Silver S.A.R.L.("AGS")	Morocco	100%	Exploration	Moroccan dirham
Metales de la Sierra, S. de R.L. de C.V.	Mexico	100%	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 functional currency of Maya is the Canadian dollar. The functional currency of the Corporation and its subsidiaries has remained unchanged during the reporting period.

The Corporation's reporting currency is the US dollar.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency

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 year 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 income (loss).

Foreign operations

On consolidation, assets and liabilities of the subsidiaries that have a functional currency other than the US dollar are translated into US 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 year. 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. The estimated useful lives, depreciation method and rates for the current and comparative years are as follows:

Asset	Basis	Rate/Period
Exploration and evaluation equipment	Linear	10 years
Furniture	Linear	5 years
Mining vehicles	Linear	4 years
Computers	Linear	4 years

Mining and processing equipment and mining asset in production are depleted based on the unit of production method, which is based on production and estimated recoverable ounces of silver based on estimated measured and indicated resources.

Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the year 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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 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 income (loss). Losses on partial sales are recognized and reflected in the consolidated statement of comprehensive income (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.

Impairment of non-financial assets

At the end of each reporting year 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

The recoverable amount is the higher of an asset or a cash generating unit's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset or cash generating unit, such value being discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash generating unit.

In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis or by areas of interest, with each property representing a potential cash-generating unit, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

A previous impairment is reversed if the asset's recoverable amount exceeds its carrying amount. However, the impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Provisions

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

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

- 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 year 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 year 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions *(continued)*

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 years 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Share-based payment transactions

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

Upon the exercise of share-based payments, the proceeds received, net of any direct expenses, as well as the related compensation expense previously recorded into the share purchase options account are credited to share capital.

Share issue expenses

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

Other elements of equity

Accumulated other comprehensive income (loss) includes the impact of converting the accounts of Maya and the Corporation's foreign subsidiaries into US dollars. Contributed surplus includes charges related to share purchase 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 year 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 year. 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Loss per share *(continued)*

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

The principal activity from which the Corporation generates its revenue is the sale of silver to third parties. Revenue is measured based on the consideration specified in the contract with the customer. Revenue of sales of silver ingots is recognized at a point of time when the Corporation transfers control of a product to the customer, which generally occurs when the customer confirms acceptance of the precious metals and has performed weighting and sampling procedures. Revenue of silver bearing concentrate ore is recognized at a point of time when the Corporation transfers control of a product to the customer, which generally occurs when the silver bearing concentrate ore is shipped from the mine site.

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

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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets and liabilities *(continued)*

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:

Financial assets and liabilities	Classification
Cash	Amortized cost
Restricted investment	Amortized cost
Accounts receivable	Amortized cost
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 lease liabilities)	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 income (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. Interest income, foreign exchange gains and losses and impairment are recognized 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 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 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.

3. NEW OR REVISED ACCOUNTING STANDARDS OR INTERPRETATIONS AND MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2018, except for the new accounting standards and amendments to standards and interpretations adopted as at January 1, 2019 and the following modifications to significant accounting policies:

Presentation currency

Prior to these consolidated financial statements, the presentation currency was the Canadian dollar. On January 1, 2019, the Corporation changed the presentation currency from the Canadian dollar to the United States dollar (“USD”) to better reflect the industry the Corporation operates in. As such, these consolidated financial statements are now presented in **USD**, together with the comparative numbers as at December 31, 2018 and January 1, 2018.

Segmented information

Prior to these consolidated financial statements, the Corporation’s had only one operating segment which was the exploration, evaluation and development of mining properties in Morocco. In its last financial quarter of 2019, the Corporation’s chief operating decision maker ("CODM") have change its level of review to make resource allocation decisions and assess their performance. The Corporation restated the corresponding segmented information for previous years.

The Corporation's CODM is its Chief Executive Officer. Operating segments whose revenues, net earnings or losses or assets exceed 10% of the total consolidated revenues, net earnings or losses or assets, are reportable segments.

In order to determine the reportable operating segments, various factors are considered, including geographical location and managerial structure. It was determined that the Corporation’s segment is divided into three reportable segments; Production (Zgounder Silver Mine – Morocco), Exploration, evaluation and development and Corporate.

IFRS 16, *Leases*

The Corporation has initially adopted IFRS 16, *Leases* on January 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. Lessor accounting remains similar to previous accounting policies. The Corporation has applied IFRS 16 using the modified retrospective approach on transition. Accordingly, the comparative information presented for 2018 has not been restated, and it is presented, as previously reported, under IAS 17 and related interpretations.

The Corporation leases properties, production equipment and vehicles which were previously classified as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Corporation has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets, and the lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

December 31, 2019 and 2018 (in United States dollars)

3. NEW OR REVISED ACCOUNTING STANDARDS OR INTERPRETATIONS AND MODIFICATIONS TO SIGNIFICANT ACCOUNTING POLICIES

IFRS 16, *Leases* *(continued)*

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, discounted at the Corporation's incremental borrowing rate as at January 1, 2019 of 6.09%, for similar secured assets. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For production equipment leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. The Corporation presents lease liabilities in long-term debt in the consolidated statement of financial position.

On transition to IFRS 16, the Corporation recognized right-of-use assets and lease liabilities. The impact on transition is summarized below.

	January 1, 2019
	$
Right-of-use assets presented within property, plant and equipment	214,850
Lease liabilities, presented within long-term debt	214,850

	January 1, 2019
	$
Operating lease commitments at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	82,328
Less : effect of discounting commitments	(6,964)
Less : short-term leases recognised as an expense on a straight-line basis	(13,016)
Plus: operating lease liabilities recognised as at December 31, 2018	82,040
Plus : other	70,462
	214,850

December 31, 2019 and 2018 (in United States dollars)

4. INVENTORIES

	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$
Mining supplies	**883,458**	790,073	739,583
Precious metals	**359,428**	124,907	579,311
Ore	**998,386**	282,693	299,605
	2,241,272	1,197,673	1,618,499

For the year ended December 31, 2019, the Company recognized $4,653,737 (2018 – nil) in cost of sales. In 2018, a total of $4,701,327 of inventories corresponding to the production and development cost, were included in mining assets under development in PPE (Note 5).

5. PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation equipment	Mining and processing equipment	Mining asset in production	Asset under construction	Mining assets under development	Furniture, mining vehicles, computers	Total
	$	$	$		$	$	$
Cost							
Balance at January 1, 2018	346,439	-	-	-	15,729,784	21,892	16,098,115
Additions	324,217	-	-	-	9,784,217	-	10,108,434
Silver sales	-	-	-	-	(4,912,953)	-	(4,912,953)
Impairment	(337,394)	-	-	-	-	(21,321)	(358,715)
Foreign exchange	(18,856)	-	-	-	(1,208,310)	(571)	(1,227,737)
Balance at December 31, 2018	314,406	-	-	-	19,392,738	-	19,707,144
Impact on transition to IFRS 16	-	-	-	-	(82,040)	214,850	132,810
Balance at January 1, 2019	314,406	-	-	-	19,310,698	214,850	19,839,954
Reclassification to exploration and evaluation assets	-	-	-	-	(165,909)	-	(165,909)
Reclassification	-	9,473,294	9,671,495	-	(19,144,789)	-	-
Addition	-	81,806	1,828,931	282,579	-	-	2,193,316
Foreign exchange	15,660	(121,213)	12,771	(339)	-	(1,937)	(95,058)
Balance at December 31, 2019	330,066	9,433,887	11,513,197	282,240	-	212,913	21,772,303
Depreciation							
Balance at January 1, 2018	346,439	-	-	-	-	21,892	368,331
Impairment	(337,394)	-	-	-	-	(21,321)	(358,715)
Foreign exchange	(9,045)	-	-	-	-	(571)	(9,616)
Balance at December 31, 2018	-	-	-	-	-	-	-
Amortization	32,318	646,629	785,680	-	-	137,820	1,602,447
Foreign exchange	689	(476)	2,890	-	-	(165)	2,938
Balance at December 31, 2019	33,007	646,153	788,570	-	-	137,655	1,605,385
Carrying amounts							
At January 1, 2018	-	-	-	-	15,729,784	-	15,729,784
At December 31, 2018	314,406	-	-	-	19,392,738	-	19,707,144
At December 31, 2019	297,059	8,787,734	10,724,627	282,240	-	75,258	20,166,918

5. PROPERTY, PLANT AND EQUIPMENT *(continued)*

In January 2019, the Corporation reached commercial production level at its Zgounder mine. As a result, the Corporation also recorded non-controlling interest amounting to $296,411, which represents the 15% owned by ONHYM. As of January 1, 2019, the Corporation reclassified its property, plant and equipment from mining assets under development to its specific categories. Accordingly, depreciation commenced January 1, 2019.

All properties, plant and equipment are located in Morocco.

As at December 31, 2019, property, plant and equipment include right-of-use assets of $75,258 (January 1, 2019 - $214,850). Additions to mining assets under development during the year ended December 31, 2019 include an amount of nil (2018 - $446,000) related to capitalized interest.

During the year ended December 31, 2019, the Corporation started selling silver bearing concentrate ore from the operations of the Zgounder mine. This represents a change in the business model of the mine. Consequently, the Corporation concluded that an impairment test should be performed for all of the Zgounder mine assets. These assets consist of one CGU.

The recoverable amount of the Zgounder mine was determined using estimated future cash flow projections discounted at an effective interest rate of 20% that reflects current market assessments of the time value of money and the risks specific to these assets.

The assumptions used related to the estimated future cash flows, are based on management's best estimates as at December 31, 2019 and may change significantly in the future, based on potential changes in the silver industry such as the price of silver and currency fluctuations between the Moroccan dirham and US dollars, interest rates and any other event beyond management's control that may affect the global economy. The estimated recoverable amounts may therefore differ significantly from actual future recoverable amounts.

Based on these measurements, the Company concluded that the recoverable amounts of the Zgounder mine was higher than its carrying amounts as at December 31, 2019. As a result, no impairment was recognized.

As at December 31, 2019, the Company also determined that there were no material events or changes in circumstances indicating that the carrying amount of its other non-current assets may not be recoverable. As such, no other impairment losses were recognized during the year ended December 31, 2019.

Subsequent to year-end the outbreak of a new strain of coronavirus (COVID-19) has had certain impacts on the operations of the Zgounder mine (refer to Note 27). The Corporation's impairment test was based on estimated future cash flow projections as at December 31, 2019. Accordingly, as required by IFRS, the Corporation has not reflected these subsequent conditions in the measurement of the Zgounder mine cash generating unit at December 31, 2019.

December 31, 2019 and 2018 (in United States dollars)

6. EXPLORATION AND EVALUATION ASSETS

During the year ended December 31, 2019 and 2018, changes in exploration and evaluation assets were as follows:

	2019	2018
	$	$
Rights on mining properties		
Balance, beginning of the year	**3,254,612**	3,530,552
Foreign exchange	**162,060**	(275,940)
Balance, end of the year	**3,416,672**	3,254,612
Deferred exploration and evaluation expenses		
Balance, beginning of the year	**1,909,943**	986,581
Additions		
Geology	**510,220**	122,937
Drilling and sampling	**617,667**	658,398
Reclassification from property, plant and equipment	**165,903**	-
Administrative	**-**	62,636
Foreign exchange	**32,358**	79,391
Balance, end of the year	**3,236,091**	1,909,943
Total	**6,652,763**	5,164,555

All exploration and evaluation assets are located in Morocco and relate to the Boumadine, Zgounder West and East and Azegour projects.

Zgounder West and East

The exploration expenditures on the property, totalling $996,968 as at December 31, 2019 ($284,025 as at December 31, 2018) were for geology analysis and prospecting and drilling efforts in order to assess mineral reserves on new zones east and west of the actual Zgounder mine.

Boumadine project

The exploration expenditures on the property, totalling $5,630,181 as at December 31, 2019 ($4,880,520 as at December 31, 2018) 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 for total cash payments of 28,000,000 dirham ($3,130,000). In 2019, Boumadine Global Mining S.A. was incorporated and the property will be transferred to this new subsidiary, owned at 85% by the Corporation and 15% by ONHYM, in 2020.

December 31, 2019 and 2018 (in United States dollars)

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

Boumadine project

Under the terms of the Convention, an amount of 15,000,000 MAD ($1,547,415) which relates to past expenses incurred by the seller is payable. Also, this amount can be applied as a capital contribution of the future subsidiary, at the seller's request, as more described in note 7 below.

ONHYM is entitled to 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 ($10,316) until production begins.

7. BALANCE OF PURCHASE PRICE PAYABLE

	2019	2018
	$	$
Balance at beginning of the year	**2,385,009**	2,734,464
Accretion expense	**227,684**	344,763
Repayments	**(1,040,850)**	(640,107)
Foreign exchange	**(24,428)**	(54,111)
Balance at end of the year	**1,547,415**	2,385,009
Current portion	**1,547,415**	1,046,255
Non-current portion	**-**	1,338,754

The Convention, signed in February 2013 (note 6), included a balance of purchase price payable amounting to 28,000,000 Moroccan dirham ("MAD") ($3,130,000) payable in three payments. The final payment of 10,000,000 MAD ($1,040,850) was paid in January 2019. In 2019, Boumadine Global Mining S.A. was incorporated and the property will be transferred to this new subsidiary, owned at 85% by the Corporation and 15% by ONHYM, in 2020. In addition, an amount of 15,000,000 MAD ($1,547,415) which relates to past expenses incurred by the seller became payable when the subsidiary was created, but this amount can be applied as a capital contribution of the future subsidiary, at the seller's request. Subsequent to year end (see note 27) the Corporation and ONHYM agreed to the postponement of payment for the 15,000,000 MAD to a date, not before January 2023.

A letter of credit amounting to 2,200,000 MAD ($220,000) has to be subscribed by the Corporation to the benefit of OHNYM.

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).

December 31, 2019 and 2018 (in United States dollars)

7. BALANCE OF PURCHASE PRICE PAYABLE *(continued)*

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 Boumadine Global Mining S.A.

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

8. LONG-TERM DEBT

	December 31, 2019	December 31, 2018	January 1, 2018
	$	$	$
Loan	**-**	-	5,987,591
Lease liabilities	**77,974**	71,927	153,790
	77,974	71,927	6,141,381
Current portion	**56,996**	71,927	80,239
Non-current portion	**20,978**	-	6,061,142

During the year ended December 31, 2018, the Corporation repaid, in full, the loan due to European Bank for Reconstruction and Development (“EBRD”). The capital payment amounted to $6,000,000. The Corporation also incurred debt prepayment fee of $523,209 consisting of interest and penalties.

The instalments on lease liabilities for the forthcoming years are as follows:

	Obligation under Lease liabilities
	$
2020	59,882
2021	21,170
Total minimum payments	81,052

9. 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.

December 31, 2019 and 2018 (in United States dollars)

9. ASSET RETIREMENT OBLIGATIONS AND PROVISION FOR ENVIRONMENTAL *(continued)*

As at December 31, 2019, the estimated inflation-adjusted discounted cash flows required to settle the asset retirement obligations amounts to $1,129,011 ($1,087,725 in 2018). The discount rate used is 1.70% (2.12% in 2018) and the disbursements are expected to be made varying between 2021 and 2028 (2021 and 2028 in 2018). 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 $1,125,000 to $1,350,000.

	2019	2018
	$	$
Balance, beginning of year	1,087,725	1,158,268
Foreign exchange	(18,986)	(91,526)
Change in assumptions used	41,892	-
Accretion expense	18,381	20,983
	1,129,012	1,087,725

10. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Common Shares
Issuances during the year ended December 31, 2019

As at December 31, 2019, the Corporation had 79,603,320 issued and outstanding common shares (December 31, 2018 - 78,356,675).

During the year ended December 31, 2019, 1,300,000 common shares were issued as a result of 1,300,000 warrants being exercised for total aggregate value of $675,039.

Pursuant to the normal course issuer bid (“NCIB”) which began on May 1, 2019 and expiring on April 30, 2020, the Corporation is authorized to repurchase for cancellation up to maximum of 5,567,799 of its common shares under certain conditions.

During the year ended December 31, 2019, the Corporation repurchased 53,355 common shares at a price ranging from $1.30 (CAD$1.70) to $1.50 (CAD$1.99) per share for a total purchase price of $93,210 relating to the NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of $40,153 was charged to deficit as share repurchase premium.

Issuances during the year ended December 31, 2018

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 $7,075,350. The Corporation also issued 8,605,152 common shares at a price of $2.56 (CAD$3.30) per common share under a non-brokered private placement for net proceeds of $21,997,830.

11. SHARE PURCHASE WARRANTS

The outstanding warrants as at December 31, 2019 and 2018 and the respective changes during the year then ended are summarized as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Number	Weighted average exercise price (CAD$)	Number	Weighted average exercise price (CAD$)
Balance, beginning of year	1,300,000	0.68	14,277,204	0.96
Exercised	(1,300,000)	0.68	(8,940,442)	0.96
Expired	-	-	(4,036,762)	1.30
Balance, end of year	-	-	1,300,000	0.68

12. SHARE PURCHASE OPTIONS

In 2018, the Corporation adopted amendments to its incentive share purchase 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 share purchase options to purchase common shares of the Corporation, provided that the number of shares reserved for issuance will not exceed 7,500,000 (2018 - 7,500,000) common shares and that the exercise price of share purchase options granted may not be less than the closing price on the day preceding the grant. The vesting period of the share purchase options is determined at the discretion of the Corporation’s Board of Directors at the time the share purchase options are granted.

The outstanding share purchase options as at December 31, 2019 and 2018 and the respective changes during the years then ended are summarized as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Number	**CAD$ (1)**	Number	CAD$ (1)
Balance, beginning of the year	1,190,000	2.92	1,593,750	1.60
Granted	-	-	890,000	3.23
Expired	(300,000)	2.00	(162,500)	1.40
Exercised	-	-	(1,037,500)	1.54
Cancelled	-	-	(93,750)	2.00
Balance, end of the year	890,000	3.23	1,190,000	2.92

(1) Weighted average exercise price in Canadian dollar

During the year ended December 31, 2018, 1,037,500 share purchase options were exercised at a price of CAD$1.54 per common share while the closing stock market price of the shares was CAD$2.72.

December 31, 2019 and 2018 (in United States dollars)

12. SHARE PURCHASE OPTIONS *(continued)*

The following table reflects the share purchase options issued and outstanding at December 31, 2019:

Expiry date	Number of options	Exercise Price	Remaining contractual life (years)
	Number	**CAD$**	**Number**
January 2023	50,000	2.00	3.08
May 2023	800,000	3.30	3.42
June 2023	40,000	3.30	3.50
Number of options outstanding	890,000	3.23	3.42
Number of options exercisable	890,000	3.23	3.42

The Corporation used the following weighted average assumptions for share purchase options issued:

	2019	2018
	$	$
Exercise price (CAD$)	**-**	3.23
Grant date market price (CAD$)	**-**	2.70
Expected share purchase option life (years)	**-**	5 years
Expected volatility (%)	**-**	75%
Risk-free interest rate (%)	**-**	2.1%
Dividend yield (%)	**-**	0.0%

The expected underlying volatility was based on the historical data of the Corporation's shares over a period equivalent to the expected average life of the options.

13. ADDITIONAL INFORMATION ON THE NATURE OF REVENUE FROM SILVER SALES

The following is a breakdown of the nature of revenue included in silver sales for the years ended December 31:

Revenue from silver sales

	2019	2018
	$	$
Ingots	**4,132,063**	-
Silver Concentrate	**1,949,337**	-
	6,081,400	-

December 31, 2019 and 2018 (in United States dollars)

14. ADDITIONAL INFORMATION ON THE NATURE OF COST OF SALES

The following is a breakdown of the nature of cost of sales for the years ended December 31:

Cost of sales

	2019	2018
	$	$
Salary and labour	**1,170,341**	-
Consumables, supplies and service	**1,878,011**	-
Selling expense	**112,840**	-
Amortization	**1,605,385**	-
	4,766,577	-

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

Management and administration expenses

	2019	2018
	$	$
Salaries and benefits	**246,081**	151,317
Consulting fees	**63,702**	160,443
Share-based payments	**-**	1,095,764
Office related expenses	**90,362**	174,674
Professional fees	**206,863**	251,726
Reporting issuer costs	**63,499**	225,907
	670,507	2,059,831

Finance (income) expense

	2019	2018
	$	$
Interest income	**(402,355)**	(195,418)
Interest expense	**97,074**	83,312
Accretion expense	**246,067**	358,891
Debt prepayment fee	**-**	523,209
	(59,214)	769,994

Expenses recognized for employee benefits

	2019	2018
	$	$
Salaries and bonuses	**2,043,769**	1,814,498
Fringe benefits costs	**506,117**	508,631
Post-employment benefits and short-term employee benefits (note23)	**71,880**	74,712
Post-employment benefits from government plans	**61,070**	70,848
Share-based payments	**-**	1,095,764
	2,682,836	3,564,453

December 31, 2019 and 2018 (in United States dollars)

16. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	2019	2018
	$	$
Loss before income tax	**102,135**	(2,663,826)
Statutory income tax rate	**26.6%**	26.7%
Expected income tax recovery	**27,169**	(711,242)
Share-based payments	**-**	291,300
Effect of tax rate in foreign jurisdictions	**(2,280)**	46,059
Non-deductible expenses	**1,165**	1,607
Change in unrecognized tax assets	**649 729**	363,865
Expiration of tax losses	**-**	576
Other	**2,865**	7,835
Income tax	**678,648**	-

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

	2019	2018
	$	$
Non-capital loss carry-forward	**5,127,655**	11,533,272
Property, plant and equipment	**98,958**	388,638
Exploration and evaluation assets	**3,588,883**	8,031,286
Share issue costs	**151,469**	99,831
Balance of purchase price	**162,884**	-
Other assets and liabilities	**738,020**	250,568
Capital loss	**664,052**	421,397
	10,531,921	20,724,992

Composition of deferred income taxes in the consolidated statement of comprehensive income (loss):

	2019	2018
	$	$
Write-down of a deferred tax asset	**648,695**	-
	648,695	-

December 31, 2019 and 2018 (in United States dollars)

16. INCOME TAXES *(continued)*

Recognized deferred tax assets and liabilities are as follows:

	December 31, 2018	**Recognized in profit or loss**	**Recognize d in equity**	**December 31, 2019**
	$	**$**	**$**	**$**
Non-capital loss carry-forward	203,680	1,972,158	-	2,175,838
Property plant and equipment	28,776	(1,953,952)	-	(1,925,176)
Balance of purchase price payable	(203,680)	203,680	-	-
Other	-	(91,678)	-	(91,677)
Exploration and evaluation assets	(28,776)	(778,903)	-	(807,679)
	-	(648,695)	-	(648,695)

	December 31, 2017	Recognized in profit or loss	Recognized in equity	December 31, 2018
	$	$	$	$
Non-capital loss carry-forward	129,718	73,962	-	203,680
Property plant and equipment	28,776	-	-	28,776
Balance of purchase price payable	(129,718)	(73,962)	-	(203,680)
Exploration and evaluation assets	(28,776)	-	-	(28,776)
	-	-	-	-

Non-capital losses available in Canada for which no deferred tax assets have been recognized expire as follows:

	Canada
	$
2034	413,402
2035	1,273,821
2036	424,770
2037	888,167
2038	769,037
2039	659,185
	4,428,382

As at December 31, 2019, the Corporation had unused tax losses in Morocco of $228,073 ($1,723,474 in 2018) expiring from 2020 to 2023 as well as unused tax losses in Mexico of $471,200 ($354,695 in 2018). The Corporation also has an unused deductible capital loss of $644,052 with no expiry date.

17. 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, 2019, capital is $40,960,411 ($39,259,441 as at December 31, 2018). 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, 2019.

18. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the years ended December 31, 2019 and 2018. 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 and accounts receivable. The Corporation’s cash is mostly held with highly rated Canadian or Moroccan banks.

Credit risk arises from the possibility that the clients to which the Company sells its product to may experience financial difficulties and be unable to fulfil their obligations. The Company deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Company monitors the credit risk of customers through credit rating reviews.

The Corporation establishes an allowance for doubtful accounts taking into account the credit risk of specific customers, historical trends and other information. As at December 31, 2019, the Corporation sells its ingots and silver concentrate to three separate customers located in Switzerland and has never experienced a credit loss. Consequently, credit risk is considered to be immaterial.

In management's opinion, the maximum credit risk exposure for all of the Company's current financial assets is the carrying value of those assets.

December 31, 2019 and 2018 (in United States dollars)

18. FINANCIAL RISK MANAGEMENT *(continued)*

Commodity price risk

The Corporation's profitability is exposed to commercial risks notably those linked to the price of silver. The Corporation does not have financial instruments exposed to silver price fluctuations.

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 years, the Corporation generates cash flow from its financing activities and from the sales realized at the Zgounder mine. 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, 2019:

	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)	2,903,857	2,903,857	2,903,857	-	-
Interest and net profit interest due to a related party (Note 22)	191,423	191,423	191,423	-	-
Balance of purchase price	1,547,415	1,547,415	1,547,415	-	-
Leases liabilities	77,974	77,974	77,974	-	-
	4,720,669	4,720,669	4,720,669	-	-

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)	2,948,612	2,948,612	2,948,612	-	-
Interest and net profit interest due to a related party (Note 22)	85,481	85,481	85,481	-	-
Balance of purchase price	2,385,009	2,614,782	1,046,255	-	1,568,527
Obligation under finance leases	71,927	71,927	71,927	-	-
	5,491,029	5,720,802	4,152,275	-	1,568,527

18. FINANCIAL RISK MANAGEMENT *(continued)*

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, BGM 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. Balances are dominated in US dollars, the presentation currency of the Corporation:

December 31, 2019	**CA dollar**	**US dollar**	**Dirham**
Cash	-	313,102	-
Accounts receivable	-	1,178,979	-
Accounts payables and accrued liabilities	-	(141,311)	(121,263)
Interest and net profit interest due to a related party (Note 22)	-	-	(191,423)
Intercompany loans	(6,887,971)	-	13,604,802
Balance of purchase price payable	-	-	(1,547,415)
	(6,887,971)	(1,350,770)	11,744,701

December 31, 2018	CA dollar	US dollar	Dirham
Cash	75,459	54,762	404,871
Accounts receivable	-	-	11,009
Accounts payable and accrued liabilities	-	(104,537)	(123,003)
Interest and net profit interest due to a related party	-	-	(85,481)
Loan	-	-	(71,927)
Intercompany loans	(5,236,452)	-	6,154,173
Balance of purchase price payable	-	-	(2,385,009)
	(5,160,993)	(52,775)	3,904,632

The impact on comprehensive income (loss) and equity of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances at December 31, 2019 would be approximately $351,000 ($131,000 in 2018).

Years ended December 31, 2019 and 2018 (in United States dollars)

19. FINANCIAL INSTRUMENTS

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

	Classification	2019	2018
Financial assets		**$**	$
Cash	Financial assets at amortized cost	**16,621,291**	19,000,163
Accounts receivable	Financial assets at amortized cost	**1,203,634**	14,321
Restricted investment	Financial assets at amortized cost	**7,698**	7,334
		17,832,623	19,021,818
Financial liabilities			
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	**2,903,857**	2,948,612
Interest and net profit interest due to a related party (Note 22)	Financial liabilities at amortized cost	**191,423**	85,481
Balance of purchase price payable	Financial liabilities at amortized cost	**1,547,415**	2,385,009
		4,642,695	5,419,102

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), interest and net profit interest payable to a related party and balance of purchase price for the acquisition of the Boumadine property. 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.

At December 31, 2018, the fair value of the balance of purchase price for the acquisition of the Boumadine property and of the long-term debt was based on discounted cash flows and was not materially different from its carrying value because there was no material change in the assumptions used for fair value determination at inception. Therefore, their principal amount approximated 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.

Years ended December 31, 2019 and 2018 (in United States dollars)

19. FINANCIAL INSTRUMENTS *(continued)*

December 31, 2019

As at December 31, 2109, there are no non-current liabilities that are not measured at fair value.

December 31, 2018

Recurring measurements	Level 1	Level 2	Level 3	Total
	$	$	$	$
Balance of purchase price payable	-	-	(2,385,009)	(2,385,009)

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

20. SUPPLEMENTAL CASH FLOW INFORMATION

	2019	2018
	$	$
Changes in working capital items		
Accounts receivable	**(1,163,732)**	(3,180)
Sales taxes receivable	**86,419**	236,625
Inventories	**(963,360)**	370,041
Prepaid expenses and security deposits	**52,225**	(17,235)
Accounts payable and accrued liabilities	**3,306,304**	(551,172)
Net profit interest payable to a related party	**99,557**	(296,075)
Non-refundable deposits to suppliers	**(130,664)**	35,282
	1,286,749	(225,714)
Non-cash transactions		
Finance expense recorded in property, plant and equipment	**-**	437,146
Variation of unpaid additions of property, plant and equipment	**(3,285,061)**	3,285,061
Interest paid, included in operating activities	**-**	78,814

21. LOSS PER COMMON SHARE

Warrants and share purchase options were excluded from the calculation of the diluted weighted average number of common shares outstanding for the years ended December 31, 2019 and 2018, as their effect would have been anti-dilutive.

Years ended December 31, 2019 and 2018 (in United States dollars)

22. COMMITMENTS AND GUARANTEES

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") to Société d'Exploration Géologique des Métaux ("SEGM") on the Amizmiz property and an 8 km radius area of interest;
- 2.5% royalty to Ouiselat Mines (a private Moroccan company) 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 1,717,010 dirhams ($177,341) for the year ended December 31, 2019 (1,251,325 dirhams ($138,446) for the year ended December 31, 2018);
- 3.0% royalty to ONHYM on revenue from the Boumadine property.

Net profit interest

The Corporation entered a net profit interest agreement with Global Works, Assistance and Trading S.A.R.L. (Glowat), a related party to the previous CEO and current director of the Corporation, 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.

23. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018 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 $34,130 recorded as professional fees (2018 - $68,488);
- Glowat, a private company owned by a party related to an officer and director of the Corporation charged a net profit interest expense of $203,219 (2018 - $90,216).
- A family member related to a previous officer and current director of the Corporation was hired to work for the Company as an Employee for a total cost of $88,750 (2018 - nil).

During the year ended December 31, 2019 and 2018, the Corporation paid $109,285 (2018 – $385,914) to Glowat in settlement of amounts owing. As at December 31, 2019, the Corporation had a liability to Glowat amounting to $191,423 (2018 - $85,481).

Remuneration of key management personnel of the Corporation

Key management include members of the Board of Directors and executive officers of the Corporation consisting of the President and Chief Executive Officer and the Chief Financial Officer. During the years ended December 31, 2019 and 2018, the remuneration awarded to key management personnel (including the amounts above) is as follows:

	2019	2018
	$	$
Salaries and benefits	**261,061**	268,931
Management consulting and professional fees	**32,033**	74,053
Directors fees	**35,797**	48,812
Share-based payments	**-**	1,069,090
	328,891	1,460,886

As at December 31, 2019, $214,615 is included in accounts payable and accrued liabilities related to the former CEO's accrued vacations.

Years ended December 31, 2019 and 2018 (in United States dollars)

24. 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.

25. CONTINGENCY

On July 2014, 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 appealed and the case is currently under review by the Cessation Court for final decision.

26. SEGMENTED INFORMATION

The Corporation's segments are divided into three reportable segments; Production (Zgounder Silver Mine – Morocco), exploration, evaluation and development and Corporate operating segments:

			December 31, 2019
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Zgounder Silver Mine - Morocco)	20,465,140	24,776,549	5,281,776
Exploration, evaluation and development	6,652,763	6,754,786	1,780,690
Corporate	7,698	16,629,832	216,264
Total per consolidated statement of financial position	**27,125,601**	**48,161,167**	**7,278,730**

			December 31, 2018
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Zgounder Silver Mine - Morocco)	-	-	-
Exploration, evaluation and development	25,028,648	27,838,868	6,815,792
Corporate	7,334	18,467,536	303,098
Total per consolidated statement of financial position	**25,035,982**	**46,306,404**	**7,118,890**

Years ended December 31, 2019 and 2018 (in United States dollars)

26. SEGMENTED INFORMATION *(continued)*

December 31, 2019

	Revenues	Cost of sales	Expenses	Gain (loss) on foreign exchange	Operating income (loss) for the year
			$	$	$
Production (Zgounder Silver Mine - Morocco)	6,081,400	(4,766,577)	(751,301)	(287,950)	275,572
Exploration, evaluation and development	-	-	(42,987)	(158)	(43,145)
Corporate	-	-	(386,799)	197,293	(189,506)
	6,081,400	**(4,766,577)**	**(1,181,087)**	**(90,815)**	**42,921**

December 31, 2018

	Revenues	Cost of sales	Expenses	Gain on foreign exchange	Operating loss for the year
			$	$	$
Production (Zgounder Silver Mine - Morocco)	-	-	-	-	-
Exploration, evaluation and development	-	-	(636,470)	177,941	(458,529)
Corporate	-	-	(1,672,882)	237,579	(1,435,303)
	-	-	**(2,309,352)**	**415,520**	**(1,893,832)**

In 2019, 100% of ingots and silver concentrate was sold to three separate Swiss companies.

27. SUBSEQUENT EVENTS

Covid-19 outbreak

Subsequent to year-end, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the consolidated financial statements.

These events are likely to cause significant changes to the assets or liabilities in the coming year or to have a significant impact on future operations. Following these events, the Company has taken and will continue to take action to minimize the impact, as such, the Zgounder mine continues to operate and work on the underground mine continues, but there is restricted access to the mine and enhanced safety protocols have been implemented. However, it is impossible to determine the financial implications of these events for the moment.

27. SUBSEQUENT EVENTS *(continued)*

Boumadine exploration project

On March 26, 2020, the Corporation and ONHYM amended the Convention regarding the amount of 15,000,000 MAD ($1,547,415). As a result of the amended Convention, this amount will not be payable before January 2023. The impact of the amended terms of repayment will be recorded in the consolidated financial statements for the year ending December 31, 2020.

Due to the amendment of the terms, the balance of purchase price payable will be reclassified as a non-current liabilities. The balance of purchase price will be measured at fair value at the date of the amendment, using a discount rate of 16%. The difference between the nominal value of the balance of purchase price of $1,547,415 and its fair value of $1,026,963 will be recorded as a reduction of mining properties in the consolidated statements of financial position for the year ending December 31, 2020.