CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

In Canadian dollars

Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Maya Gold and Silver Inc.

We have audited the accompanying consolidated financial statements of Maya Gold and Silver Inc., which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Maya Gold and Silver Inc. as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

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

Other matter

The consolidated financial statements of Maya Gold and Silver Inc., for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 30, 2014.

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 28, 2015

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[1] CPA auditor, CA public accountancy permit no. A127023

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

	December 31, 2014	December 31, 2013
	$	$
ASSETS		
Current		
Cash	2,138,588	157,410
Marketable securities (Note 5)	112,839	175,573
Derivative financial instruments	106,012	-
Sales taxes receivable	419,891	37,981
Inventories (Note 6)	1,053,611	-
Prepaid expenses and security deposits	526,729	53,225
	4,357,670	424,189
Non-current		
Restricted investment (Note 7)	20,000	20,000
Advance to related parties (Note 21)	267,817	193,081
Property, plant and equipment (Note 8)	19,158,950	7,612,635
Exploration and evaluation assets (Note 9)	4,551,431	22,420,183
TOTAL ASSETS	28,355,868	30,670,088
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,619,408	905,892
Accounts payable and accrued liabilities to a related party (Note 21)	4,183,542	3,642,085
Balances of purchase price payable (Note 9)	2,667,069	4,452,227
Provision for environmental remediation (Note 12)	150,000	150,000
Credit facility (Note 10)	2,523,575	-
Convertible debentures (Note 11)	474,951	-
Derivative financial instrument (Note 10)	5,400	-
	11,623,945	9,150,204
Non-current		
Balances of purchase price payable (Note 9)	1,074,831	1,689,439
Asset retirement obligations (Note 12)	845,548	622,443
Convertible debentures (Note 11)	8,368,816	1,773,693
TOTAL LIABILITIES	21,913,140	13,235,779
EQUITY		
Share capital (Note 13)	29,641,702	26,806,931
Share purchase warrants (Note 13)	-	796,991
Share purchase options (Note 14)	1,925,482	1,418,154
Equity component of convertible debentures (Note 11)	1,297,543	264,511
Contributed surplus	4,036,692	3,617,095
Deficit	(30,431,465)	(15,492,933)
Accumulated other comprehensive income (loss)	(27,226)	23,560
TOTAL EQUITY	6,442,728	17,434,309
TOTAL LIABILITIES AND EQUITY	28,355,868	30,670,088

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

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

On behalf of the Board,

/s/ Guy Goulet */s/ Martin Wong*

Guy Goulet, CEO and Director Martin Wong, Director

Maya Gold & Silver Inc.
Consolidated Statements of Comprehensive Loss
(in Canadian dollars)

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Expenses and other items		
Management and administration (Note 15)	2,226,390	1,962,864
Investor relations and corporate development	414,223	622,199
Impairment of exploration and evaluation assets (Note 9)	9,506,435	-
Impairment of property, plant and equipment (Note 8)	-	119,672
Loss (gain) on foreign exchange	869,263	(240,857)
Operating loss	13,016,311	2,463,878
Impairment of marketable securities- shares (Note 5)	-	632,727
Change in fair value of marketable securities – subscription shares (Note 5)	4,352	122,156
Change in fair value of derivative financial instruments (Note 10)	(51,331)	-
Loss on disposal of marketable securities- shares	-	433,325
Finance expense (Note 15)	2,320,569	374,464
Gain on settlement of debentures	-	(140,185)
Loss before income taxes	15,289,901	3,886,365
Deferred income tax recovery (Note 16)	(433,576)	(396,948)
Net loss	14,856,325	3,489,417
Other comprehensive loss		
Items that will be subsequently reclassified to net loss		
Foreign currency translation of foreign subsidiaries	(7,596)	(58,160)
Change in fair value of marketable securities– shares (Note 5)	58,382	906,983
Loss on disposal of marketable securities – shares – reclassification to net loss	-	(433,325)
Impairment of marketable securities shares – reclassification to net loss	-	(632,727)
	50,786	(217,229)
Comprehensive loss	14,907,111	3,272,188
Basic and diluted net loss per common share	0.13	0.03
Weighted average number of shares – basic and diluted	118,228,153	108,815,936

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

Maya Gold & Silver Inc.

Consolidated Statements of Changes in Equity

(in Canadian dollars)

	Number of issued and outstanding shares	Share capital	Share purchase warrants	Share purchase options	Equity component of convertible debentures	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
		$	$	$	$	$	$	$	$
Balance as at January 1, 2014	115,848,759	26,806,931	796,991	1,418,154	264,511	3,617,095	(15,492,933)	23,560	17,434,309
Shares issued under long term incitative plan ("LTIP") (Note 13)	600,000	258,000	-	-	-	-	-	-	258,000
Equity component of convertible debentures (Note 11)	-	-	-	-	1,413,860	-	-	-	1,413,860
Deferred income tax on equity component of convertible debentures and expired warrants	-	-	-	-	(380,828)	(52,748)	-	-	(433,576)
Share issue costs	-	-	-	-	-	-	(82,207)	-	(82,207)
Share purchase warrants exercised (Note 13)	6,029,715	2,511,496	(401,096)	-	-	-	-	-	2,110,400
Exercise of share purchase options (Note 14)	125,000	65,275	-	(26,525)	-	-	-	-	38,750
Share purchase options expired	-	-	-	(76,450)	-	76,450	-	-	-
Share purchase warrants expired	-	-	(395,895)	-	-	395,895	-	-	-
Share-based payments (Note 14)	-	-	-	610,303	-	-	-	-	610,303
	122,603,474	29,641,702	-	1,925,482	1,297,543	4,036,692	(15,575,140)	23,560	21,349,839
Net loss for the year	-	-	-	-	-	-	(14,856,325)	-	(14,856,325)
Other comprehensive income	-	-	-	-	-	-	-	(50,786)	(50,786)
Comprehensive loss for the year	-	-	-	-	-	-	(14,856,325)	(50,786)	(14,907,111)
Balance as at December 31, 2014	122,603,474	29,641,702	-	1,925,482	1,297,543	4,036,692	(30,431,465)	(27,226)	6,442,728
Balance as at January 1, 2013	107,639,967	24,652,678	3,076,865	860,375	-	1,689,107	(11,963,549)	(193,669)	18,121,807
Warrants exercised (Note 13)	330,000	167,773	(52,273)	-	-	-	-	-	115,500
Share issued under Long term incitative plan ("LTIP") (Note 13)	1,118,792	296,480	-	-	-	-	-	-	296,480
Issuance of shares (Note 13)	6,760,000	1,690,000	-	-	-	-	-	-	1,690,000
Share issue costs (Note 13)	-	-	-	-	-	-	(39,967)	-	(39,967)
Expiration of warrants (Note 13)	-	-	(2,227,601)	-	-	2,227,601	-	-	-
Equity component of convertible debentures (Note 11)	-	-	-	-	361,846	-	-	-	361,846
Deferred income tax	-	-	-	-	(97,335)	(299,613)	-	-	(396,948)
Share-based payments (Note 14)	-	-		557,779	-	-	-	-	557,779
	115,848,759	26,806,931	796,991	1,418,154	264,511	3,617,095	(12,003,516)	(193,669)	20,706,497
Net loss for the year	-	-	-	-	-	-	(3,489,417)	-	(3,489,417)
Other comprehensive loss	-	-	-	-	-	-	-	217,229	217,229
Comprehensive loss for the year	-	-	-	-	--	--	(3,489,417)	217,229	(3,272,188)
Balance as at December 31, 2013	115,848,759	26,806,931	796,991	1,418,154	264,511	3,617,095	(15,492,933)	23,560	17,434,309

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

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

	Year ended December 31, 2014	Year ended December 31, 2013
Cash flows provided by (used in)	**$**	**$**
OPERATING ACTIVITIES		
Net loss	(14,856,325)	(3,489,417)
Adjustments for non-cash items		
Share-based payments (Note 15)	868,303	854,259
Depreciation	-	11,705
Impairment of exploration and evaluation assets (Note 19)	9,506,435	-
Impairment of property, plant and equipment	-	119,672
Gain on settlement of debentures	-	(140,185)
Finance expense	1,150,051	362,625
Deferred income tax recovery	(433,576)	(396,948)
Unrealized loss (gain) on foreign exchange	416,247	(95,808)
Impairment of marketable securities –shares	-	632,727
Change in fair value of marketable securities – subscription shares	4,352	122,156
Loss on disposal of marketable securities – shares	-	433,325
Change in fair value of derivative financial instruments	(51,331)	-
Changes in working capital items (Note 19)	(1,265,502)	492,210
	(4,661,346)	(1,093,679)
INVESTING ACTIVITIES		
Payment of balances of purchase price payable	(2,756,844)	(2,429,524)
Restricted investment	-	240
Disposal of marketable securities	-	527,635
Acquisition of property, plant and equipment	(4,270,864)	(529)
Silver sales	1,790,235	-
Additions of exploration and evaluation assets	(195,785)	(1,830,000)
	(5,433,258)	(3,732,178)
FINANCING ACTIVITIES		
Accounts payable and accrued liabilities to a related party	(6,709)	-
Credit facility	2,045,339	-
Exercise of warrants and options	2,149,150	75,533
Issuance of debentures, net of issue costs	7,888,002	2,119,137
	12,075,782	2,194,670
Net increase (decrease) in cash	1,981,178	(2,631,187)
Cash, beginning of year	157,410	2,788,597
Cash, end of year	2,138,588	157,410

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

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

Maya Gold & Silver Inc. ("Maya") was incorporated on December 19, 2007 under the Canada Business Corporations Act and is listed on the TSX Venture Exchange ("TSXV") under the symbol "MYA". Maya's registered office is located at Suite 207, 10 de la Seigneurie Blvd. East, Blainville, Quebec, Canada.

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

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

In regard of its other projects, the Corporation has not yet determined whether they contain ore resources that are economically recoverable. The recoverability of amounts shown as exploration and evaluation assets are dependent upon the existence of reserves on these properties, the ability to obtain all required permits, the ability of the Corporation to obtain necessary financing to complete the development of those reserves and upon future profitable production from these reserves or sufficient proceeds from their disposal thereof. The Corporation will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

2. GOING CONCERN

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

2. GOING CONCERN (continued)

For the year ended December 31, 2014, the Corporation reported a net loss of $14,856,325 ($3,489,417 in 2013) and a comprehensive loss of $14,907,111 ($3,272,188 in 2013) and has an accumulated deficit of $30,431,465 at December 31, 2014 ($15,492,933 as at December 31, 2013). As at December 31, 2014, the Corporation had a negative working capital of $7,266,275 ($8,726,015 at December 31, 2013), including cash of $2,138,588 ($157,410 as at December 31, 2013). Management estimates that these funds will not be sufficient to meet the Corporation's obligations and budgeted expenditures through December 31, 2015. In addition to ongoing working capital requirements, the Corporation must secure sufficient funding to meet its existing commitments, including future payments to acquire mineral properties and conduct minimum exploration and evaluation program, pursue its mining operations at Zgounder and pay for general and administration costs. Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity, debt financing or other means. During the year ended December 31, 2014, the Corporation closed a US$3,500,000 credit facility, raised $8,300,000 from unsecured convertible debentures and $2,149,150 of share purchase warrants and options were exercised ($2,194,670 in 2013, from convertible debentures and exercise of warrants) to finance exploration and evaluation programs, development of a mining property and for general corporate purposes.

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

3. CHANGES IN ACCOUNTING POLICIES

Adopted new standard:

The Corporation has adopted the following new standard, along with any consequential amendments, effective January 1, 2014. This change was made in accordance with the applicable transitional provisions.

IFRIC 21, *Levies* ("IFRIC 21")

In May 2013, the International Accounting Standard Board (IASB) issued IFRIC 21, which provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 did not affect the Corporation for any period presented.

3. CHANGE IN ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet applied

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

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

IFRS 9, Financial Instruments ("IFRS 9")

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Corporation's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.

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

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts and IAS 18, Revenue and several revenue-related interpretations. The mandatory effective date of IFRS 15 is January 1, 2017. The objective of IFRS 15 is to establish a single, principles based five-step model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide users of financial statements with more informative, relevant disclosures. The Corporation will evaluate the impact of adopting IFRS 15 in its consolidated financial statements in future periods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures. The Board of Directors approved and authorized for issue the consolidated financial statements as at April 28, 2015.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of measurement

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

Basis of consolidation

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

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

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

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

Financial assets	**Classification**
Cash	Loans and receivables
Marketable securities – shares	Available for sale investments
Marketable securities – subscription shares	Financial asset with variations in fair value charged to profit or loss
Derivative financial instruments	Financial asset with variations in fair value charged to profit or loss
Advance to related parties	Loans and receivables
Restricted investment	Loans and receivables
Financial liabilities	
Accounts payable and accrued liabilities (except salaries and employee benefits)	Financial liabilities at amortized cost
Accounts payable and accrued liabilities to a related party	Financial liabilities at amortized cost
Credit facility	Financial liabilities at amortized cost
Derivative financial instrument	Financial liabilities with variations in fair value charged to profit or loss
Balances of purchase price payable	Financial liabilities at amortized cost
Convertible debentures	Financial liabilities at amortized cost

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

i) Loans and receivables

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

ii) Available for sale investments

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

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

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

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

iv) Financial liabilities at amortized cost

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

v) Impairment of financial assets

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

vi) Derivative financial instruments

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

Convertible debentures

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

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

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

Restricted investment

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

Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business less any applicable estimated cost to completion and estimated selling expenses. The amount of inventories recognized as an expense is included in addition under mining assets under construction in property, plant and equipment (Note 8).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

Exploration and evaluation assets

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

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

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

When technical feasibility and commercial viability of extracting a mineral resource is demonstrated, exploration and evaluation assets related to the mining property are transferred to property, plant and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 9) and any impairment loss is recognized in profit or loss before reclassification.

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

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

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

As at December 31, 2014, all of the Corporation's mining properties are still under the scope of IFRS 6 and therefore subject to the accounting policy as described in exploration and evaluation assets except for the Zgounder property which is, starting in the second quarter of 2014, considered in development stage and subject to the accounting policy described in property, plant and equipment.

Property, plant and equipment

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

Mining assets under construction

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Mining properties

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

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

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

Depletion of mining site in production

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

Amortization

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Amortization (continued)

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

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

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

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

Impairment of non-financial assets

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment benefits and short-term employee benefits

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

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

Income taxes

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

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

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

Share capital and warrants

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

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

Share issue expenses

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

Other elements of equity

Accumulated other comprehensive income (loss) includes unrealized gains and losses on available-for-sale financial asset net of relevant income taxes and the impact of converting the account of the Corporation's foreign subsidiaries into Canadian dollars. Contributed surplus includes charges related to share options and warrants expired. Deficit includes all current and prior period retained profits or losses.

Loss per share

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

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

Segmented information

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

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

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

Critical judgments in applying accounting policies

Going concern

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

Income taxes

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

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

Impairment of available for sale investments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Critical judgments in applying accounting policies (continued)

Start of development phase

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

Start of commercial production phase

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

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

Estimation uncertainty

Provisions and contingent liabilities

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

Asset retirement obligations

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Estimation uncertainty (continued)

Provision for environmental remediation

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

Impairment of non-financial assets

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

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

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

Since the Zgounder property reached the development stage in 2014, an impairment test was performed at the transition date and at year end, following indication of impairment. Several assumptions were required as described in Note 8.

Management plans to execute further substantive exploration and evaluation activities on Boumadine, Amizmiz, Azegour, permit 233263 and Touchkal properties when appropriated financing will be raised. Management believes the fundamental outlook for those properties remains good for the future. However, given that no substantive expenditures on further exploration and evaluation of mineral resources in a specific area is budgeted on a short-term horizon, the Corporation recognized an impairment charge related to Amizmiz, Azegour and permit 233263 properties of $9,506,435. Since Boumadine is a recent acquisition and that all required payments were not yet completed as described in the agreement but it is management's intention to respect its commitments to obtain the legal title, no impairment charge was judged required for that property.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgment and estimates (continued)

Estimation uncertainty (continued)

Share-based compensation expense

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Corporation has made estimates as to the volatility of its own shares, the probable life of options and the time of exercise of those options. The model used by the Corporation is the Black-Scholes model.

Impairment test of property, plant and equipment

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

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

Based on an impairment analysis performed in 2013, some exploration equipment was impaired by $119,672 in 2013, given that it was no more functional. The estimation of the impairment charge requires judgment from the management.

December 31, 2014 and 2013 (in Canadian dollars)

5. MARKETABLE SECURITIES

On July 12, 2012, the Corporation entered into a share exchange agreement with Praetorian Resources Ltd. (“Praetorian”). Pursuant to the Exchange Agreement, the Corporation issued to Praetorian 7,000,000 common shares of its share capital at a deemed issue price of $0.25 per common share (for a total deemed value of $1,750,000) and issued in 2013 to Praetorian 3,500,000 share purchase warrants at $0.35, exercisable at any time on or before October 31, 2014, enabling Praetorian to purchase one additional common share of the Corporation for each share purchase warrant held. In exchange, the Corporation received 2,185,315 ordinary shares at a price of £0.50 ($0.90) per ordinary share and 1,092,657 subscription shares of Praetorian. These ordinary shares were valued at $1,750,000 and the subscription shares at nil on the date of the share exchange agreement, being the same value as the shares issued to Praetorian. Each subscription share of Praetorian entitles the Corporation to purchase one additional ordinary share of Praetorian at a price of £0.70 ($1.26) per share, payable in full on subscription. The expiry date for the exercise of the subscription shares is the last business day in July 2015. The Praetorian ordinary shares received have been classified as available for sale investments and the subscription shares received have been classified as a financial asset with variations in fair value charged to profit or loss.

The fair value of the ordinary shares and subscription shares held as at December 31, 2014 were established using the closing market price at that date (£0.055 or $0.099 for ordinary shares and £0.008 or $0.01 for subscription shares) (£0.9 or $0.16 for ordinary shares and £0.01 or $0.02 for subscription shares as at December 31, 2013). The changes in fair value of marketable securities held were as follows:

	$
Balance at December 31, 2012	1,732,347
Value of 1,200,000 shares of Praetorian sold in 2013	(527,635)
Change in fair value – ordinary shares	(274,256)
Impairment – ordinary shares	(632,727)
Change in fair value - subscription shares	(122,156)
Balance at December 31, 2013	175,573
Change in fair value – ordinary shares	(58,382)
Change in fair value - subscription shares	(4,352)
Balance at December 31, 2014	112,839

As at December 31, 2014, the Corporation owns 985,315 ordinary shares (985,315 – as at December 31, 2013) and the adjusted cost is $0.16 per share ($0.16 – as at December 31, 2013). The Corporation also owns 1,092,657 subscription shares (1,092,657 – as at December 31, 2013) at a cost of nil as at December 31, 2014 (nil –as at December 31, 2013).

December 31, 2014 and 2013 (in Canadian dollars)

6. INVENTORIES

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Mining supplies	549,704	-
Precious metals	365,668	-
Ore	138,239	-
	1,053,611	-

In 2014, a total of $ 1,238,470 of inventories, corresponding to the production cost, were included in mining assets under construction in property, plant and equipment.

7. RESTRICTED INVESTMENT

As at December 31, 2014, an amount of $20,000 ($20,000 as at December 31, 2013) was held as collateral of the Corporation's credit cards. This collateral was invested in a guaranteed investment certificate bearing interest at a fixed rate of 1%, maturing in September 2015 and redeemable at any time. This investment is automatically renewed at each anniversary date. Therefore, it is presented as long-term.

December 31, 2014 and 2013 (in Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Computers, equipment and office furniture	Exploration and evaluation equipment	Buildings and equipment related to mining production	Mining assets under construction	Vehicles	Total
	$	$	$		$	$
Cost						
Balance at January 1, 2013	67,447	462,745	250,000	-	74,586	854,778
Additions	529	-	7,330,400	-	-	7,330,929
Foreign exchange	3,098	2,942	-	-	5,082	11,122
Balance at December 31, 2013	71,074	465,687	7,580,400	-	79,668	8,196,829
Additions	-	-	-	4,885,720	-	4,885,720
Silver sales	-	-	-	(1,790,235)	-	(1,790,235)
Reclassifications	-	-	(7,580,400)	7,580,400	-	-
Transfer from E&E assets	-	-	-	8,552,943	-	8,552,943
Changes in asset retirement obligations	-	-	-	192,323	-	192,323
Foreign exchange	(594)	(556)	-	(262,201)	(960)	(264,311)
Balance at December 31, 2014	70,480	465,131	-	19,158,950	78,708	19,773,269
Accumulated depreciation						
Balance at January 1, 2013	45,346	217,259	-	-	50,340	312,945
Depreciation	15,303	115,466	-	-	13,865	144,634
Impairment	-	119,672	-	-	-	119,672
Foreign exchange	1,989	1,522	-	-	3,432	6,943
Balance at December 31, 2013	62,638	453,919	-	-	67,637	584,194
Depreciation	8,506	11,867	-	-	12,134	32,507
Foreign exchange	(664)	(655)	-	-	(1,063)	(2,382)
Balance at December 31, 2014	70,480	465,131	-	-	78,708	614,319
Carrying amounts						
At December 31, 2013	8,436	11,768	7,580,400	-	12,031	7,612,635
At December 31, 2014	-	-	-	19,158,950	-	19,158,950

Depreciation expense in 2013 of $11,705 (nil in 2014) and impairment of $119,672 in 2013 is included in the consolidated statement of comprehensive loss and an amount of $32,507 (2013 - $132,929) was charged to deferred exploration and evaluation expenses.

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

All properties, plant and equipment are located in Morocco.

December 31, 2014 and 2013 (in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS

Changes in exploration and evaluation assets were as follows:

	December 31, 2014	December 31, 2013
	$	$
Rights on mining properties		
Opening balance	14,612,856	9,915,519
Additions	-	4,438,257
Foreign exchange	(48,960)	259,080
Transfer to PP&E	(5,547,250)	-
Impairment	(4,578,389)	-
Ending balance	4,438,257	14,612,856
Advances for property acquisition and exploration and evaluation work		
Opening balance	-	3,156,356
Advances during the year	-	1,830,000
Applied on acquisition of rights and mining properties	-	(739,399)
Applied as buildings and equipment related to mining production and as deferred exploration and evaluation expenses	-	(4,246,957)
Foreign exchange	-	-
Ending balance	-	-
Deferred exploration and evaluation expenses		
Opening balance	7,807,327	5,278,634
Additions		
Salaries and benefits	43,359	183,184
Drilling and sampling	-	626,967
Geology and consulting	112,669	941,866
Supplies and others	-	184,624
Administrative	39,757	181,874
Depreciation	32,507	132,929
Foreign exchange	11,294	277,249
Transfer to PP&E	(3,005,693)	-
Impairment	(4,928,046)	-
Ending balance	113,174	7,807,327
Balance, end of year	4,551,431	22,420,183

All exploration and evaluation assets are located in Morocco.

9. EXPLORATION AND EVALUATION ASSETS (continued)

a) Zgounder project

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

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

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

At year end, the Corporation performed an impairment test following an indication of impairment, namely the decrease of the silver price. The recoverable amount of Zgounder property was determined based on value-in-use calculations, covering a detailed eleven-year forecast. Reserves based on the pre-feasibility study as at December 31, 2014 were used for the first nine years of this forecast. An additional two years was added to the forecast resulting of the anticipated conversion of some resources into reserves following an exploration program during the first years as recommended by the pre-feasibility study. Significant assumptions used include future price of silver (between USD16,30 and USD19), the future foreign currency rate of Moroccan dirham to Canadian dollars of 0.13 and Canadian to US dollars of 1.1 and the expected cash flows were discounted using a 13% discount rate that reflects appropriate adjustments relating to market and specific risk factors for the property. No impairment was required as at December 31, 2014 following the completion of the impairment test.

9. EXPLORATION AND EVALUATION ASSETS (continued)

b) Boumadine project

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 $5,155,700 (43,000,000 dirham), including an initial amount of $719,400 (6,000,000 dirham) paid by Global Works, Assistance and Trading S.A.R.L ("Glowat"), a related party company acting as project manager (Note 21), on behalf of the Corporation two months after initial due date, an amount of $812,400 (6,000,000 dirham) paid in February 2014 by Glowat on behalf of the Corporation, $767,400 (6,000,000 dirham) payable in February 2015, a final payment of $1.279,000 (10,000,000 dirham) payable in February 2016 and an amount of $1,918,500 (15,000,000 dirham) that relates to past expenses incurred by the vendor for which the vendor can either demand reimbursement of this amount or apply it as a capital contribution of the future company to be created. The transfer of the property will occur once a separate company owned at 85% by the Corporation and 15% by ONHYM has been established in Morocco under the terms of the Convention, a letter of credit amounting to $281,380 (2,200,000 dirham) has been subscribed by the Corporation to the benefit of OHNYM and all cash payments have been completed.

ONHYM will receive a 3% royalty on sales from the Boumadine project. In the event where delay in production would be greater than 60 months from the date of approval of the Convention, the Corporation undertakes to pay to the seller a cancellation annual royalty of 100,000 dirham ($12,790) until production actually begins.

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

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

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

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

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

The balance of purchase price due does not bear interest. The purchase price of $5,155,700, excluding initial cash payment of $719,400, was discounted to $4,438,257 with an interest rate of 15%. The amount was allocated to the assets acquired based on the fair value of the total consideration at the closing date of the transaction.

9. EXPLORATION AND EVALUATION ASSETS *(continued)*

c) Amizmiz Property

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

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

d) Azegour property

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

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

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

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

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

December 31, 2014 and 2013 (in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS *(continued)*

e) Mining permit No 233263

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

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

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

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

	Zgounder	Boumadine	Total
	$	$	$
Balance at December 31, 2012	3,292,800	-	3,292,800
Additions for the year	-	4,438,257	4,438,257
Payment	(1,710,124)	(719,400)	(2,429,524)
Accretion expense	-	276,039	276,039
Foreign exchange	241,524	322,570	564,094
Balance at December 31, 2013	1,824,200	4,317,466	6,141,666
Payment	(1,944,444)	(812,400)	(2,756,844)
Accretion expense	-	279,100	279,100
Foreign exchange	120,244	(42,266)	77,978
Balance at December 31, 2014	-	3,741,900	3,741,900
Current portion	-	2,667,069	2,667,069
Non-current portion	-	1,074,831	1,074,831

10. CREDIT FACILITY

On February 4, 2014, the Corporation entered into a facility agreement (the "Facility Agreement") for a credit facility in a principal amount of $US6,000,000 ($6,960,600), of which $US3,500,000 ($4,060,350) was drawn immediately (the "Initial Facility") available. The Initial Facility is a 12-month loan maturing on January 31, 2015 and bearing interest at 12% per annum. The principal amount and the interest were originally repayable in nine consecutive monthly installments commencing on May 31, 2014 from the cash generated by the operations of ZMSM. During 2014, the Corporation and the lender commenced discussion to re-scheduled principal and interest payments. As at December 31, 2014, the Corporation has an overdue amount of $US 868,000 ($1,006,967). The lender has accepted default with respect to the late payment situation and is renegotiating the terms of the Initial Facility with the Corporation.

Pursuant to the Facility Agreement six months after the date of the Facility Agreement, a further loan of $US2,500,000 ($2,900,250) with a twelve-month term was available to the Corporation, for total facility of $US6,000,000 ($6,960,600). Under the terms of the Facility Agreement, the lender was granted a silver ounce fee of $US0.25 per ounce ($0.29 per ounce) of silver ingots delivered by ZMSM to a refiner.

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

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

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

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

Pursuant to the terms and conditions of the Facility Agreement and for the duration of the agreement, the Corporation deposited in a reserve account an amount of $US140,000 ($162,414).

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

December 31, 2014 and 2013 (in Canadian dollars)

10. CREDIT FACILITY (continued)

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

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

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

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

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

Under the facility, the Corporation was required, in December 2014, to purchase put options as protection against the decrease of silver price. Therefore, the Corporation purchased, through the lender, who acted as intermediary for the account of the Corporation, put options to sell 20,000 ounces of silver per month at a price of $US14.50 per ounce from December 2014 to November 2015 for an amount of $US131,250 ($145,881).

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

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

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

December 31, 2014 and 2013 (in Canadian dollars)

11. DEBENTURES

	Non-convertible	Convertible	Total
	$	$	$
Balance at December 31, 2012	1,760,000	-	1,760,000
Issuance of 6,760,000 shares for the settlement of $1,690,000 debentures (Note 13)	(1,690,000)	-	(1,690,000)
Transfer in accounts payable and accrued liabilities (for settlement in cash or silver ingot)	(70,000)	-	(70,000)
Issuance of convertible debentures	-	2,200,000	2,200,000
Issuance costs	-	(80,863)	(80,863)
Equity component	-	(361,846)	(361,846)
Accretion expense	-	16,402	16,402
Balance at December 31, 2013	-	1,773,693	1,773,693
Issuance of convertible debentures	-	8,300,000	8,300,000
Issuance costs	-	(329,791)	(329,791)
Equity component	-	(1,413,860)	(1,413,860)
Accretion expense	-	513,725	513,725
Balance at December 31, 2014	-	8,843,767	8,843,767
Current portion	-	474,951	474,951
Non-current portion	-	8,368,816	8,368,816

a) Convertible debentures into common shares or silver ingots

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

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

(i) cash; or
(ii) common shares of Maya, at a conversion price equal to $0.35 per common share; or
(iii) silver ingots produced from the Zgounder mine at the option of the holders at a price per ounce of silver equal to: (a) the spot market price of silver at the date of payment minus 12.5%; or
(b) $US18 per ounce

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

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

11. DEBENTURES (continued)

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

The convertible debentures are a compound financial instrument and as such it has been recorded under the requirements of IAS 32, as a liability and as equity. Consequently, the liability component was valued first, and the difference between the proceeds of the debentures and the fair value of the liability was assigned to the equity component. For purposes of establishing the fair value of the liability component, an effective interest rate of 15% was used, representing the estimated market rate at closing that the Corporation would have obtained for similar financing without the conversion option. The liability component will be accreted to the face value of the debenture over the term of the debenture with a resulting charge to interest expense. In 2014 the equity component of $1,413,860 was accounted for net of tax effect of $380,828 (in 2013 equity component of $288,609 was accounted for net of tax effect of $77,635 with respect to the first tranche).

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

b) Convertible debenture into common shares

On June 25, 2013, the Corporation completed the financing of a $500,000 convertible debenture bearing interest at a rate of 7.5% per annum and maturing on June 25, 2015. The principal amount of the debenture and accrued interest will be payable on maturity date.

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

Forced conversion of the debenture into common shares will occur, at a conversion price of $0.35 per common share, if, at any time, the weighted average trading price of the common shares of the Corporation listed on the TSX Venture Exchange is equal to or above $0.75 per share for a period of 20 consecutive trading days.

The convertible debenture is a compound financial instrument and as such it has been recorded as a liability and as equity. The liability component was valued first, and the difference between the proceeds of the debenture and the fair value of the liability was assigned to the equity component. The present value of the liability was calculated using discount rate of 15%.The effective interest rate used of 15% represents the estimated market rate at closing that the Corporation would obtain for similar financing without the conversion option. The liability component would be accreted to the face value of the debenture over the term of the debenture with a resulting charge to interest expense. The equity component of $73,237 was accounted for net of tax effect of $19,700.

An issuance cost of $10,000 was paid in total in relation with this closing.

11. DEBENTURES (continued)

c) Non-convertible debentures

On February 13, 2012, April 5, 2012 and June 14, 2012 the Corporation completed financings of non-convertible debentures. The principal amount for each of the financing amounted to $200,000, $280,000 and $580,000 respectively.

On November 17, 2011, the Corporation completed a financing of non-convertible debentures in the principal amount of $700,000.

These non-convertible debentures had a maturity date of December 31, 2013. The Corporation agreed to reimburse the principal amount of the non-convertible debentures by the delivery of silver ingots produced by the Corporation on the basis of one silver ingot of 10 kg for each tranche of $10,000 in capital. Should the Corporation not be in a position to deliver such silver ingots on the maturity date, the Corporation agreed to reimburse the principal amount of the debentures in cash, with interest at the rate of 5% per annum.

On December 31, 2013, the Corporation agreed with all debentures holder to settle all debentures as follow:

(i) Issuance of 6,760,000 shares as settlement of $1,690,000 debentures.
(ii) One silver ingot as settlement of $10,000 debentures.[1]
(iii) Payment in cash as settlement of $60,000 debentures.[2]

[1]This amount was payable as at December 31, 2013 and was paid in December 2014.
[2]Transactions with a related party (Note 21) was payable as at December 31, 2013 and was paid in February 2014.

12. ASSET RETIREMENT OBLIGATIONS AND PROVISION FOR ENVIRONMENTAL REMEDIATION

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

As at December 31, 2014, the estimated inflation-adjusted discounted cash flows required to settle the asset retirement obligations amounts to $845,548 ($622,443 in 2013). The discount rate used is 1.79% (4.86% in 2013) and the disbursements are expected to be made in 2025 (2024 in 2013). The estimated undiscounted value of this liability was estimated using an expected value approach which combines probability weighted outcomes for a variety of possible scenarios from an amount of $750,000 to $900,000 ($750,000 to $900,000 in 2013).

December 31, 2014 and 2013 (in Canadian dollars)

12. ASSET RETIREMENT OBLIGATIONS AND PROVISION FOR ENVIRONMENTAL REMEDIATION (continued)

The Corporation has also a provision for environmental remediation of $150,000 recorded at the acquisition of Zgounder property in 2012. The provision is related to the environmental remediation work to be performed principally for the tailings, which were initially expected to be incurred in the next year, which was the best estimate at that time. As at December 31, 2014, based on revised estimates and thorough examination of work related to environment performed during the year, there is no variation of this provision during the year to account for because the initial planned work are still to be completed.

	Asset retirement obligations	Provision for environmental remediation	Total
	$	$	$
Balance at December 31, 2012	-	150,000	150,000
New obligation	622,443	-	622,443
Balance at December 31, 2013	622,443	150,000	772,443
New obligation	192,323	-	192,323
Accretion expense	30,782	-	30,782
Balance at December 31, 2014	845,548	150,000	995,548
Current portion	-	150,000	150,000
Non-current portion	845,548	-	845,548

13. SHARE CAPITAL AND WARRANTS

Authorized

Unlimited number of common shares without par value.

Issuance of securities

2014

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

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

13. SHARE CAPITAL AND WARRANTS (continued)

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

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

2013

In March, 2013, 330,000 warrants at a unit price of $0.35 were exercised for total cash proceeds of $115,500.

In March 2013, the Corporation issued 559,396 common shares to each of the CEO and President (former COO) for accomplishments realized in 2010, 2011 and 2012. The market price of the Common Shares on March 7, 2013 was $0.265. The Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares were evaluated based on the market price at the date of grant.

On May 15, 2013, the Corporation issued to Praetorian Resources Limited, a total number of 3,500,000 common share purchase warrants of the Corporation, as part of the share exchange concluded between the Corporation and Praetorian Resources Limited, each of such common share purchase warrant entitling the holder thereof to purchase one common share of the Corporation at a price of $0.35 for a period of 24 months from its date of issuance; with a deemed date of issuance of October 31, 2012. The share exchange agreement ("Exchange Agreement") with Praetorian occurred in 2012 and the Corporation needed the approval of shareholders at the annual general meeting to issue these warrants. In 2012 the entire value was allocated to the shares since the warrants were not yet issued. At the grant date, the fair value of the warrants was estimated at nil considering that no counterparty was received.

On December 31, 2013, the Corporation issued 6,760,000 shares as settlement of $1,690,000 debentures maturing on December 31, 2013 (Note 11c).

December 31, 2014 and 2013 (in Canadian dollars)

13. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

	Year ended December 31, 2014		**Year ended December 31, 2013**	
	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)
Balance, beginning of year	15,474,000	0.35	32,579,978	0.35
Private placement of 2012 – Completed in May 2013	-	-	3,500,000	0.35
Exercised	(6,029,715)	(0.35)	(330,000)	(0.35)
Expired	(9,444,285)	(0.35)	(20,275,978)	(0.35)
Balance, end of year	-	-	15,474,000	0.35

At December 31, 2014, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants December 31, 2013	**Issued**	**Expired**	**Exercised**	**Number of warrants December 31, 2014**	**Price per share**	**Expiry date**
Private placement– September 2012	2,500,000	-	(1,874,285)	(625,715)	-	0.35	Sept 2014
Private placement- December 2012	9,404,000	-	(4,000,000)	(5,404,000)	-	0.35	Nov 2014
Broker warrants – November 2012	70,000	-	(70,000)	-	-	0.35	Nov 2014
Private placement of 2012 – Completed in May 2013	3,500,000	-	(3,500,000)	-	-	0.35	Oct 2014
	15,474,000	-	(9,444,285)	(6,029,715)	-	-	

A total of 9,444,285 share purchase warrants granted in 2012 and 2013 expired unexercised in 2014.

Long-term incentive plan ('LTIP')

At the annual shareholders meeting held on June 10, 2011 the shareholders approved the 2011 LTIP in favour of the Chief Executive Officer ("CEO") and the Chief Operating Officer ("COO"). These officers are entitled to receive up to an aggregate of 4,000,000 common shares of the Corporation until December 2015 on the basis of certain goals and milestones. The goal is to significantly increase shareholder value by the end of December 2015 through the acquisition of material mining properties and the development up to commercial production of any of the Corporation's property. The adoption of the LTIP brings the total number of common shares reserved for future issuance under all equity compensation plans to 8,000,000.

In May 2014, the Corporation issued 300,000 common shares to each of the CEO and President (former COO). The market price of the common shares on May 21, 2014 was $0.43.

In March 2013, the Corporation issued 559,396 common shares to each of the CEO and President (former COO). The market price of the Common Shares on March 7, 2013 was $0.265.

December 31, 2014 and 2013 (in Canadian dollars)

14. SHARE PURCHASE OPTIONS

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

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

	Year ended December 31, 2014		Year ended December 31, 2013	
	Number	**$ (1)**	**Number**	**$ (1)**
Balance, beginning of year	6,935,000	0.35	4,760,000	0.31
Granted	3,000,000	0.50	3,875,000	0.35
Exercised	(125,000)	(0.31)	-	-
Expired	(425,000)	(0.42)	(1,600,000)	(0.25)
Forfeited	-	-	(100,000)	(0.35)
Balance, end of year	9,385,000	0.39	6,935,000	0.35

(1) Weighted average exercise price

On July 2, 2014, the Corporation granted 200,000 share purchase options to a director with a five years term and 100,000 share purchase options to consultants with a three years term. The share purchase options are exercisable at $0.50 per share. For the consultants, the Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares was evaluated based on the market price at the date of grant. The share purchase options are vested on each quarter equally on 18 months. The weighted average fair value of $0.27 of the 300,000 share purchase options granted was estimated using the Black-Scholes option pricing model at the date of issuance.

On May 7, 2014, the Corporation granted to directors, officers, employee and consultants, 2,700,000 share purchase options with a five year term. The share purchase options are exercisable at $0.50 per share. For the consultants, the Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares was evaluated based on the market price at the date of grant. 1,625,000 options will vest at the date of grant and 1,075,000 will vest one year after the date of grant. The weighted average fair value of $0.22 of the 2,700,000 share purchase options granted in 2014 was estimated using the Black-Scholes option pricing model at the date of issuance.

On January 18, 2013, the Board of Directors approved (approved by the shareholders on May 15, 2013), an increase in the number of common shares reserved for issuance under the Corporation's fixed number stock option plan (the "Plan") from 7,000,000 to 10,000,000.

December 31, 2014 and 2013 (in Canadian dollars)

14. SHARE PURCHASE OPTIONS (continued)

On January 18, 2013, the Corporation granted to directors, officers, employee and consultants, 3,675,000 share purchase options with a five year term except for 200,000 options which the exercise period is one year. The share purchase options are exercisable at $0.35 per share. For the consultants, the Corporation was not able to reliably determine the fair value of services received and therefore the fair value of the shares were evaluated based on the market price at the date of grant. The 3,475,000 options are vested on each quarter equally for a period of 18 months. The 200,000 options are vested 25% at the date of grant, 25% six months following the date of grant and 50% twelve months after the date of grant. The weighted average fair value of $0.17 of the 3,675,000 share purchase stock options granted in 2013 was estimated using the Black-Scholes option pricing model at the date of issuance.

On July 2, 2013, the Corporation granted to a director, 200,000 share purchase options with a five year term. The share purchase options are exercisable at $0.35 per share. The options are vested on each quarter equally of 12 months. The weighted average fair value of $0.18 of the 200,000 share purchase stock options granted in 2013 was estimated using the Black-Scholes option pricing model at the date of issuance.

The Corporation use the following weighted average assumptions for all 2014 and 2013 issues of shares purchase stock options:

	Year ended December 31, 2014	Year ended December 31, 2013
Exercise price ($)	0.50	0.35
Grant date market price ($)	0.39	0.26
Expected stock option life (years)	4.9	4.79
Expected volatility (%)	75	88
Risk-free interest rate (%)	1.59	1.47
Dividend yield (%)	-	-

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

December 31, 2014 and 2013 (in Canadian dollars)

14. SHARE PURCHASE OPTIONS (continued)

The following table reflects the share purchase options issued and outstanding at December 31, 2014:

Issue date	Number of options	Exercise price	Remaining contractual life (years)	Number of options exercisable
	Number	$	Number	Number
February 2010	150,000	0.40	0.1	150,000
July 2010	725,000	0.25	0.5	725,000
March 2011	350,000	0.45	1.2	350,000
March 2012	1,485,000	0.35	2.4	1,485,000
March 2013	3,475,000	0.35	3.0	3,475,000
July 2013	200,000	0.35	3.5	200,000
May 2014	2,700,000	0.50	4.3	1,615,000
July 2014	300,000	0.50	3.2	50,000
	9,385,000	0.39	3.0	8,050,000
Weighted average exercise price ($)				0.38

15. ADDITIONNAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS

Management and administration expense

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Salaries and benefits	657,434	466,870
Consulting fees	206,500	172,666
Share-based payments	868,303	854,259
Office	174,589	138,841
Professional fees	268,825	271,213
Regional office – Mexico	5,656	6,358
Reporting issuer costs	45,083	40,952
Depreciation	-	11,705
	2,226,390	1,962,864

December 31, 2014 and 2013 (in Canadian dollars)

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

Finance expense

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Interest expense	1,170,518	11,839
Credit facility and debentures fees	339,593	-
Accretion expense	810,458	362,625
	2,320,569	374,464

Expenses recognized for employee benefits are analysed below:

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Salaries	944,468	491,776
Fringe benefits costs	94,061	39,729
Post-employment benefits and short-term employee benefits	11,637	10,151
Post-employment benefits from government plans	17,459	-
Share-based payments	868,303	855,163
	1,935,928	1,396,819

December 31, 2014 and 2013 (in Canadian dollars)

16. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Loss before income tax	(15,289,901)	(3,886,365)
Tax using the Corporation's domestic tax rate of 26.9%	(4,112,983)	(1,045,432)
Share-based payments	164,172	150,043
Effect of tax rate in foreign jurisdictions	(21,272)	(1,062)
Non-deductible expenses	110,757	325,269
Unrecognized tax assets	3,378,099	297,528
Expiration of tax losses	-	111,967
Foreign exchange	46,226	(212,821)
Other	1,425	(22,440)
Deferred income tax	(433,576)	(396,948)

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

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

	December 31, 2014	December 31, 2013
	$	$
Non-capital loss carry-forwards	9,793,811	7,111,491
Property plant and equipment	569,749	503,403
Exploration and evaluation assets	10,141,476	635,042
Share issue costs	915,796	635,552
Unrealized capital loss	120,000	347,800
Marketable securities	722,454	613,467
Credit facility	91,272	-
Capital loss	10,294	-
	22,364,852	9,846,755

December 31, 2014 and 2013 (in Canadian dollars)

16. INCOME TAXES (continued)

Recognised deferred tax assets and liabilities are as follows:

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

	December 31, 2012	Recognized in profit or loss	Recognized in equity	December 31, 2013
	$	$	$	$
Non-capital loss carry-forwards	-	518,839	(299,613)	219,226
Property plant and equipment	72,582	(37,535)	-	35,047
Balances of purchase price	-	(104,226)	-	(104,226)
Debentures	-	(17,665)	(97,335)	(115,000)
Non capital losses	30,652	(30,652)	-	-
Unrealized capital gain	(19,000)	19,000	-	-
Exploration and evaluation assets	(84,234)	49,187	-	(35,047)
	-	396,948	(396,948)	-

December 31, 2014 and 2013 (in Canadian dollars)

16. INCOME TAXES (continued)

Non-capital losses expire as follows:

	Canada
	$
2027	1,000
2028	368,832
2029	846,067
2030	1,311,851
2031	1,908,529
2032	1,490,100
2033	1,041,083
2034	1,388,996
	8,356,458

As at December 31, 2014, the Corporation had unused tax losses in Morocco of $959,069 ($419,153 in 2013) expiring from 2015 to 2018 as well as unused tax losses in Mexico of $478,284 ($472,823 in 2013).

17. CAPITAL MANAGEMENT

The Corporation defines capital as equity, credit facility and debentures. When managing capital, the Corporation's objectives are:

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

These objectives will be achieved by identifying the right exploration and evaluation projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and evaluation and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management team to sustain the future development of the business. As at December 31, 2014, capital was $17,810,070 ($19,208,002 at December 31, 2013). 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, 2014. Variation of capital during the year is detailed in the consolidated statement of changes in equity.

December 31, 2014 and 2013 (in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the year ended December 31, 2014. The classification of financial instruments is summarized as follows:

	Classification	As at December 31, 2014	As at December 31, 2013
Financial assets			
Cash	Loans and receivables	2,138,588	157,410
Marketable securities - shares	Available for sale investment	97,931	156,313
Marketable securities – subscription shares	Financial asset with variations in fair value charged to profit or loss	14,908	19,260
Derivative financial instruments	Financial asset with variations in fair value charged to profit or loss	106,012	-
Advance to related parties	Loans and receivables	267,817	193,081
Restricted investment	Loans and receivables	20,000	20,000
		2,645,256	546,064
Financial liabilities			
Accounts payable and accrued liabilities (except salaries and employee benefits)	Financial liabilities at amortized cost	1,338,917	836,782
Accounts payable and accrued liabilities to a related party	Financial liabilities at amortized cost	4,183,542	3,642,085
Balances of purchase price payable	Financial liabilities at amortized cost	3,741,900	6,141,666
Credit facility	Financial liabilities at amortized cost	2,523,575	-
Derivative financial instrument	Financial liability with variations in fair value charged to profit or loss	5,400	-
Convertible debentures	Financial liabilities at amortized cost	8,843,767	1,773,693
		20,637,101	12,394,226

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

Credit risk

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

December 31, 2014 and 2013 (in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Over the period, the Corporation generates cash flow primarily from its financing activities. As at December 31, 2014, the Corporation does not have sufficient funds to settle its liabilities and commitments for the next 12 months. The amounts of royalties payable are settled no later than June 30 of the subsequent reporting period. The Corporation must achieve new financings to continue the exploration and evaluation projects, pursue its mining operations at Zgounder, to cover general and administration expenses and to meet its commitments (Note 20). As at December 31, 2014, the Corporation's negative working capital totals $7,266,275 ($8,726,015 at December 31, 2013). Current liabilities of $11,623,945 ($9,150,204 at December 31, 2013) are due within the next 12 months. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (see Note 2 – *Going concern*).

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

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities (except salaries and employee benefits)	1,338,917	1,338,917	1,338,917	-	-
Accounts payable and accrued liabilities to a related party	4,183,542	4,183,542	4,183,542	-	-
Balances of purchase price	3,741,900	3,964,900	2,685,900	1,279,000	-
Credit facility	2,523,575	2,590,444	2,590,444	-	-
Debentures	8,843,767	12,327,809	1,375,000	2,486,809	8,466,000
	20,631,701	24,405,612	12,173,803	3,765,809	8,466,000

December 31, 2014 and 2013 (in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including interest where applicable as at December 31, 2013:

	Carrying amount $	Contractual cash flows $	0 to 12 months $	12 to 24 months $	More than 24 months $
Accounts payable and accrued liabilities (except salaries and employee benefits)	836,782	836,782	836,782	-	-
Accounts payable and accrued liabilities to a related party	3,642,085	3,642,085	3,642,085	-	-
Balances of purchase price	6,141,666	6,645,300	4,560,500	781,800	1,303,000
Convertible debentures	1,773,693	2,670,598	136,789	711,000	1,822,809
	12,394,226	13,794,765	9,176,156	1,492,800	3,125,809

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 being the Canadian dollar for all the entities within the consolidated group except for CMMM and ZMSM for which the functional currency is the Moroccan dirham. The Corporation has not entered into any derivative contracts to manage this risk. Transactions related to the Corporation's exploration and evaluation activities are mainly denominated in Moroccan dirham and the marketable securities are denominated in pounds. Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are as follows:

December 31, 2014

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

December 31, 2014 and 2013 (in Canadian dollars)

18.FINANCIAL RISK MANAGEMENT (continued)

Currency risk (continued)

December 31, 2013

	Pounds	**Dirham**	**Total**
Marketable securities	175,572	-	175,572
Accounts payables and accrued liabilities	(19,509)	(134,972)	(154,481)
Accounts payable and accrued liabilities to a related party	-	(3,642,085)	(3,642,085)
Balances of purchase price payable	-	(6,141,666)	(6,141,666)
	156,063	(9,918,723)	(9,762,660)

The impact on comprehensive loss of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances at December 31, 2014 would be approximately $1,058,547($976 266 as at December 31, 2013).

Interest rate risk

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

Interest rate fair value risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Credit facility and convertible debentures bear interest at a fixed rate, thus exposing the Corporation to the risk of changes in fair value arising from interest fluctuations. Because these financial assets are recognized at amortized cost, the fair value variation has no impact on profit or loss.

Fair value of financial instruments

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

The fair value of balances of purchase price for the acquisition of the Boumadine property and convertible debentures is not materially different from their carrying value because there was no material change in the assumptions. Its principal amount approximates its fair value.

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

December 31, 2014 and 2013 (in Canadian dollars)

18.FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments (continued)

The marketable securities are accounted for at their fair value. A variation of +/- 10% of the quoted market price as at December 31, 2014, would result in an estimated effect on the fair value of $11,284 ($1,491 in net loss ($1,926 in 2013) and $9,793 in other comprehensive loss ($15,631 in 2013).

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

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

Fair value hierarchy

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

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

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

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

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

December 31, 2014

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

December 31, 2014 and 2013 (in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy (continued)

December 31, 2013

Recurring measurements	Level 1	Level 2	Level 3	Total
	$	$	$	$
Marketable securities				
Ordinary shares	156,313	-	-	156,313
Subscription shares	19,260	-	-	19,260
Balance of purchase price payable	-	-	(6,141,666)	(6,141,666)
Convertible debentures	-	-	(1,773,693)	(1,773,693)
	175,573	-	(7,915,359)	(7,739,786)

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

During the years ended December 31, 2014 and 2013, there were no transfers between Level 1, Level 2 and Level 3.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2014	December 31, 2013
	$	$
Changes in working capital items		
Sales taxes receivable	(392,743)	45,828
Inventories	(1,053,611)	-
Advance to related parties	(74,736)	8,603
Prepaid expenses and security deposits	(482,960)	(15,779)
Accounts payable and accrued liabilities	738,548	453,558
	(1,265,502)	492,210

December 31, 2014 and 2013 (in Canadian dollars)

19.SUPPLEMENTAL CASH FLOW INFORMATION (continued)

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Non-cash transactions		
Additions of Rights on mining properties not paid	-	4,438,257
Additions of Rights on mining properties paid by Glowat on behalf of the Corporation	-	2,429,524
Asset retirement obligations recorded in property, plant and equipment (Note 12)	192,323	622,443
Additions of property, plant and equipment and exploration and evaluation expenses paid by Glowat on behalf of the Corporation	614,543	4,246,957
Issuance of shares as settlement of debentures	-	1,690,000
Accruals for settlement of debentures	-	70,000
Depreciation included in exploration and evaluation assets	32,507	132,929

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Interest paid, included in operating activities	1,170,518	11,839

20. COMMITMENTS AND GUARANTEES

Lease agreement

As at December 31, 2014, the Corporation had a commitment under the terms of a lease for office premises and office equipment ending in May 2015 of $15,925.

Rent expenses for the year ended December 31, 2014 amount to $39,525 ($33,065 in 2013).

In addition of the commitments disclosed in Note 9, the Corporation has the following commitments regarding its properties:

20. COMMITMENTS AND GUARANTEES (continued)

Royalties

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

- 2.5% net smelter royalty ("NSR") on the Amizmiz property and an 8 km radius area of interest;
- 2.5% royalty on revenue from the Azegour property;
- 2.0% NSR on the La Campaña property.
- 3.0% royalty on revenue from the Zgounder property ($60,300 (459,000 dirhams) for the year ended December 31, 2014)
- 3.0% royalty on revenue from the Boumadine property

Net profit interest

Zgounder
The Board adopted a resolution approving the payment to Global Works, Assistance and Trading S.A.R.L. ("Glowat"), a related party, of a net-profit interest equal to 5% of the gross revenues generated from the operations of the Zgounder silver mine, less mining and milling costs. See Note 21.

Letter of credit

Zgounder
ZMSM has two letters of credit amounting to $281,380 (2,200,000 dirham) with suppliers.

21. RELATED PARTY TRANSACTIONS

In the normal course of operations, for the years ended December 31, 2014 and 2013:

- Glowat, a Moroccan private company owned by a close relative of an officer who is also director of the Corporation, charged as part of a project management agreement, management and service fees of $691,541 which were capitalized to mining assets under development in property, plant and equipment ($144,387 in 2013 in exploration and evaluation assets).
- A firm, of which a director of the Corporation is a partner, charged professional fees amounting to $59,237 recorded as professional fees and $56,628 as issuance cost of debt. ($91,135 in 2013 recorded as professional fees, $1,998 as share issue expenses and $32,000 as prepaid expenses);
- A company controlled by a director of the Corporation, charged fees of $6,750 recorded as consulting fees ($9,571 in 2013 recorded as exploration and evaluation assets);
- A company controlled by a former officer charged professional fees of $8,955 recorded as professional fees ($28,156 in 2013 recorded as professional fees);
- A firm, of which a director of the Corporation is a partner, charged fees of $35,000 as issuance costs of credit facility (nil in 2013);
- An officer who is also a director of the Corporation received in April 2012, in lieu of a bonus payment, 3 units at a price of $70,000 per unit and debentures for a principal amount of $60,000. The settlement in cash for the debentures was paid in 2014.
- An officer of the Corporation charged consulting fees of $125,000 ($135,865 in 2013).

December 31, 2014 and 2013 (in Canadian dollars)

21. RELATED PARTY TRANSACTIONS (continued)

As at December 31, 2014, the Corporation had advanced an amount of $267,817 ($193,081 in 2013) to officers who are also directors of the Corporation. These advances are non-interest bearing and repayable on demand.

During the year ended December 31, 2014, the Corporation advanced $2,455,179 to Glowat for the acquisition of mining rights and exploration and evaluation work and property, plant and equipment ($1,830,000 in 2013). As at December 31, 2014, the Corporation has a liability to Glowat amounting to $4,183,542 (32,709,479 dirham). As at December 31, 2013, the Corporation had a liability of $3,642,085 (27,951,535 dirham). The amount paid by Glowat in 2014 for the benefits of the Corporation amounted to $2,996,636 ($8,628,441 in 2013) related to acquisition of property, plant and equipment, exploration and evaluation expenses, payment of balances of purchase price payable on behalf of the Corporation for Zgounder and Boumadine properties.

As at December 31, 2014 the balance due to the related parties (excluding the accounts payable and accrued liabilities to Glowat which are presented separately in the consolidated statement of financial position) amounted to $138,948 ($268,834 in 2013) recorded in accounts payable and accrued liabilities.

On January 18, 2013, the Board of Directors adopted a resolution approving the payment to Glowat 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 (the “NPI”). Glowat is a private Moroccan company controlled by a party related to the president of the Corporation. Glowat provides, on an independent basis and as the turn-key general contractor for the Corporation, services related to the re-commissioning and development of the Zgounder silver mine, and act as the operational contractor of the Zgounder project. The NPI will remain payable as it comes due to Glowat until the end of the mine life of the Zgounder property notwithstanding the termination of the contract.

Remuneration of key management personnel of the Corporation

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

	Year ended December 31, 2014	Year ended December 31, 2013
	$	$
Director fees	48,178	49,812
Salaries	432,555	400,000
Consulting fees	983,111	443,116
Bonuses	185,000	-
Share-based payments	799,400	770,592
	2,448,244	1,663,520

22. POST-EMPLOYMENT BENEFITS

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

The amount paid by the Corporation to the CIMR in 2014 amount to $11,327 (88,558 dirham).

23. CONTINGENCY

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

24. EVENT AFTER THE REPORTING DATE

Financing

On March 23, 2015, the Corporation has closed a non-brokered private placement of $1,200,000 through the issuance of 4,800,000 units at a price of $0.25 per unit. Each unit consist of one common share of the Corporation and one-half of a common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of $0.50 during an 18-month period following the date of closing.