



## **CONSOLIDATED FINANCIAL STATEMENTS**

**Years ended December 31, 2015 and 2014**

In Canadian dollars

# Maya Gold & Silver Inc.

## Consolidated Statements of Financial Position

(in Canadian dollars)

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

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

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

On behalf of the Board,

/s/ Guy Goulet

Guy Goulet, CEO and Director

/s/ R. Martin Wong

R. Martin Wong, Director

# Maya Gold & Silver Inc.

## Consolidated Statements of Comprehensive Loss

(in Canadian dollars)

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

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

# Maya Gold & Silver Inc.

## Consolidated Statements of Changes in Equity

(in Canadian dollars)

|  | Number of<br>issued and<br>outstanding<br>shares | Share<br>capital  | Share<br>purchase<br>warrants | Share<br>purchase<br>options | Equity<br>component of<br>convertible<br>debentures | Contributed<br>surplus | Deficit             | Accumulated<br>other<br>comprehensive<br>income (loss) | Total<br>equity   |
|--|--|-------------------|-------------------------------|------------------------------|---|------------------------|---------------------|--|-------------------|
|  |  | \$                | \$                            | \$                           | \$  | \$                     | \$                  | \$   | \$                |
| Balance as at January 1, 2015  | 122,603,474                                      | 29,641,702        | -                             | 1,925,482                    | 1,297,543   | 4,036,692              | (30,431,465)        | (27,226)   | 6,442,728         |
| Issuance of units (Note 13)  | 6,230,000  | 1,423,066         | 177,334                       | -                            | -   | -                      | -                   | -  | 1,600,400         |
| Share issue costs  | -  | -                 | -                             | -                            | -   | -                      | (80,199)            | -  | (80,199)          |
| Effect of convertible debentures modifications (Note 11c)                              | -  | -                 | -                             | -                            | 5,625,000   | -                      | -                   | -  | 5,625,000         |
| Conversion of debentures (Note 11)   | 26,607,143                                       | 9,898,932         | 1,862,500                     | -                            | (5,247,042)   | -                      | -                   | -  | 6,514,390         |
| Deferred income tax  | -  | -                 | -                             | -                            | 338,220   | -                      | -                   | -  | 338,220           |
| Conversion of interest (Note 11)   | 1,126,499  | 233,211           | 55,381                        | -                            | -   | -                      | -                   | -  | 288,592           |
| Shares issued as bonus to a director and officer (Note 13)                             | 300,000  | 69,000            | -                             | -                            | -   | -                      | -                   | -  | 69,000            |
| Share purchase options expired   | -  | -                 | -                             | (189,150)                    | -   | 189,150                | -                   | -  | -                 |
| Share-based payments (Note 14)   | -  | -                 | -                             | 96,498                       | -   | -                      | -                   | -  | 96,498            |
|  | 156,867,116                                      | 41,265,911        | 2,095,215                     | 1,832,830                    | 2,013,721   | 4,225,842              | (30,511,664)        | (27,226)   | 20,894,629        |
| Net loss for the year  | -  | -                 | -                             | -                            | -   | -                      | (8,655,961)         | -  | (8,655,961)       |
| Other comprehensive loss   | -  | -                 | -                             | -                            | -   | -                      | -                   | (996,134)  | (996,134)         |
| Comprehensive loss for the year  | -  | -                 | -                             | -                            | -   | -                      | (8,655,961)         | (996,134)  | (9,652,095)       |
| <b>Balance as at December 31, 2015</b>   | <b>156,867,116</b>                               | <b>41,265,911</b> | <b>2,095,215</b>              | <b>1,832,830</b>             | <b>2,013,721</b>                                    | <b>4,225,842</b>       | <b>(39,167,625)</b> | <b>(1,023,360)</b>                                     | <b>11,242,534</b> |
| 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)      |
| <b>Balance as at December 31, 2014</b>   | <b>122,603,474</b>                               | <b>29,641,702</b> | <b>-</b>                      | <b>1,925,482</b>             | <b>1,297,543</b>                                    | <b>4,036,692</b>       | <b>(30,431,465)</b> | <b>(27,226)</b>  | <b>6,442,728</b>  |

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

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

# **Maya Gold & Silver Inc.**

## **Notes to Consolidated Financial Statements**

### **December 31, 2015 and 2014** (in Canadian dollars)

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#### **1. NATURE OF OPERATIONS AND GENERAL INFORMATION**

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

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

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

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

#### **2. GOING CONCERN**

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 2. GOING CONCERN (continued)

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

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

#### 3. CHANGES IN ACCOUNTING POLICIES

##### ***Accounting standards issued but not yet applied***

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

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

##### ***IFRS 9, Financial Instruments ("IFRS 9")***

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 3. CHANGE IN ACCOUNTING POLICIES (continued)

##### *IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)*

The IASB has issued IFRS 15, Revenue from Contracts with Customers, which will replace IAS 11, Construction Contracts and IAS 18, Revenue and several revenue-related interpretations. The mandatory effective date of IFRS 15 is January 1, 2018. The objective of IFRS 15 is to establish a single, principles based five-step model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide users of financial statements with more informative, relevant disclosures. The Corporation will evaluate the impact of adopting IFRS 15 in its consolidated financial statements in future periods.

##### *IFRS 16 – Leases (“IFRS 16”)*

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

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Basis of presentation***

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

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures. The Board of Directors approved and authorized for issue the consolidated financial statements as at April 28, 2016.

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

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



# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### ***Basis of consolidation***

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

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

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

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

##### ***Foreign currency translation***

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 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:

| <b>Financial assets</b>  | <b>Classification</b>   |
|--|---|
| 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   |
| <br>   |   |
| <b>Financial liabilities</b>   |   |
| Accounts payable and accrued liabilities (except salaries and employee benefits) | Financial liabilities at amortized cost                                 |
| Demand promissory note due to a related party                                    | Financial liabilities at amortized cost                                 |
| Credit facility  | Financial liabilities at amortized cost                                 |
| Loan   | Financial liabilities at amortized cost                                 |
|  | Financial liabilities with variations in fair value charged             |
| Derivative financial instrument  | to profit or loss   |
| Balances of purchase price payable   | Financial liabilities at amortized cost                                 |
| Convertible debentures   | Financial liabilities at amortized cost                                 |

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

##### **i) Loans and receivables**

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Financial assets and liabilities* (continued)

##### ii) Available for sale investments

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

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

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

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

##### iv) Financial liabilities at amortized cost

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

##### v) Impairment of financial assets

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Financial assets and liabilities* (continued)

##### vi) Derivative financial instruments

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

##### *Convertible debentures*

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

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

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

##### *Restricted investment*

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

##### *Inventories*

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Revenue recognition*

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

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

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

##### *Exploration and evaluation assets*

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

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Exploration and evaluation assets* (continued)

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

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

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

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

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

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

As at December 31, 2015, all of the Corporation's mining properties are still under the scope of IFRS 6 and therefore subject to the accounting policy as described in exploration and evaluation assets except for the Zgounder property which is, since the second quarter of 2014, considered in development stage and subject to the accounting policy described in property, plant and equipment.

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

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

##### Mining assets under construction

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Property, plant and equipment* (continued)

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

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

##### Mining properties

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

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

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

##### Depletion of mining site in production

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

##### Amortization

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 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:

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|                                      | <b>Method</b> | <b>Rate</b> |
|--------------------------------------|---------------|-------------|
| Office furniture                     | Straight-line | 20%         |
| Exploration and evaluation equipment | Straight-line | 20%         |
| Vehicles                             | Straight-line | 30%         |
| Computer equipment                   | Straight-line | 30%         |

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

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

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

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



# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **Provisions**

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

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

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

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

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### ***Income taxes***

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

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

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

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Share issue expenses*

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

##### *Other elements of equity*

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

##### *Loss per share*

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

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

##### *Segmented information*

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

##### **Leases**

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Significant accounting judgments and estimates*

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

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

##### *Critical judgments in applying accounting policies*

###### *Going concern*

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

###### *Income taxes*

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

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

###### *Impairment of available for sale investments*

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Significant accounting judgments and estimates*

###### *Critical judgments in applying accounting policies (continued)*

###### *Start of development phase*

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

###### *Start of commercial production phase*

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

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

###### *Estimation uncertainty*

###### *Provisions and contingent liabilities*

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

###### *Asset retirement obligations*

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *Significant accounting judgment and estimates* (continued)

###### *Estimation uncertainty* (continued)

###### *Provision for environmental remediation*

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

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

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

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

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

Since the Zgounder property reached the development stage in 2014, an impairment test was performed at the transition date and as at December 31, 2014 and 2015, following indication of impairment. Several assumptions were required such as the expected cash flows, the future price of silver and of the future foreign currency rate of Canadian to US dollar and the discount rate.

Management plans to execute further substantive exploration and evaluation activities on Boumadine, Amizmiz, Azegour, permit 233263 and Touchkal properties when appropriated financing will be raised. Management believes the fundamental outlook for those properties remains good for the future. However, given that no substantive expenditures on further exploration and evaluation of mineral resources in a specific area is budgeted on a short-term horizon, the Corporation recognized an impairment charge related to Amizmiz, Azegour and permit 233263 properties of \$9,506,435 in 2014. Since Boumadine is a recent acquisition and that management maintains its intention to respect its commitments to obtain the legal title and to address an exploration program on that property as soon as the Corporation will secure the required financing, no impairment charge was judged required for that property even if all the required payments were not yet completed as at Decemebr 31, 2015 as per the agreement. Furthermore, the Corporation had negotiation with ONHYM at the end of 2015 to postpone the remaining required payments as confirmed subsequent to year end as described in Note 9.

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014** (in Canadian dollars)

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Significant accounting judgment and estimates** (continued)

*Estimation uncertainty* (continued)

*Share-based compensation expense*

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

*Impairment test of property, plant and equipment*

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

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

**5. MARKETABLE SECURITIES**

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

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### 6. INVENTORIES

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

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

### 7. RESTRICTED INVESTMENT

As at December 31, 2015, an amount of \$20,000 (\$20,000 as at December 31, 2014) was held as collateral of the Corporation's credit cards. This collateral was invested in a guaranteed investment certificate bearing interest at a fixed rate of 0.5% (1% as at December 31, 2014), maturing in September 2016 and redeemable at any time. This investment is automatically renewed at each anniversary date. Therefore, it is presented as long-term.



**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**8. PROPERTY, PLANT AND EQUIPMENT**

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

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

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

All properties, plant and equipment are located in Morocco.

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**9. EXPLORATION AND EVALUATION ASSETS**

Changes in exploration and evaluation assets were as follows:

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

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

**a) Zgounder project**

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014** (in Canadian dollars)

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**9. EXPLORATION AND EVALUATION ASSETS** (continued)

**a) Zgounder project** (continued)

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 9. EXPLORATION AND EVALUATION ASSETS (continued)

##### b) Boumadine project

In February 2013, the Corporation and L'ONHYM, a Moroccan state institution, entered into an Agreement for the Boumadine polymetallic deposit (the "Convention"). Under the terms of the Convention, the Corporation acquired 85% of the Boumadine project for total cash payments of \$5,155,700 (43,000,000 dirham), including an initial amount of \$719,400 (6,000,000 dirham) paid by Global Works, Assistance and Trading S.A.R.L ("Glowat"), a related party company acting as project manager (Note 21), on behalf of the Corporation two months after the initial due date, an amount of \$812,400 (6,000,000 dirham) paid in February 2014 by Glowat on behalf of the Corporation, \$837,000 (6,000,000 dirham) originally payable in February 2015, a final payment of \$1,395,000 (10,000,000 dirham) payable in February 2016 and an amount of \$2,095,500 (15,000,000 dirham) that relates to past expenses incurred by the seller for which the seller can either demand reimbursement of this amount or apply it as a capital contribution of the future company to be created. The transfer of the property will occur once a separate company owned at 85% by the Corporation and 15% by ONHYM has been established in Morocco under the terms of the Convention, a letter of credit amounting to \$306,900 (2,200,000 dirham) has been subscribed by the Corporation to the benefit of ONHYM and all cash payments have been completed. During 2015, the Corporation and ONHYM agreed to postpone the third payment of \$837,000 (6,000,000 dirham) which should have been paid in February 2015 until the end of December 2015. On February 2016, ONHYM and the Corporation agreed to postpone the third payment until the end of 2017 and the fourth payment until the end of 2018.

ONHYM will receive a 3% royalty on sales from the Boumadine project. In the event where delay in production would be greater than 60 months from the date of approval of the Convention, the Corporation undertakes to pay to the seller a cancellation annual royalty of 100,000 dirham (\$13,950) until production actually begins.

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

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

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 9. EXPLORATION AND EVALUATION ASSETS (continued)

##### c) Amizmiz Property

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

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

##### d) Azegour property

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

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

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

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

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014** (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.

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

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

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**10. LONG-TERM DEBT**

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

**a) Credit facility**

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

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

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

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

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

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014** (in Canadian dollars)

**10. LONG-TERM DEBT** (continued)

**a) Credit facility** (continued)

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

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

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

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

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

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

|                                   | December 31,<br>2014 | February 4<br>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 (%)                | -                    | -                  |



**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**10. LONG-TERM DEBT** (continued)

**a) Credit facility** (continued)

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

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

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

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

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

**b) Obligation under finance lease**

In December 2015, the Corporation concluded a sale and leaseback transaction whereby it sold mining assets under construction of a net book value of \$418,500 as at transaction date for a consideration of \$418,500 (3,000,000 dirham) and leased back these assets. The lease contract qualifies as a finance lease. Therefore, the assets were recognized in the consolidated balance sheet with a corresponding finance lease liability. The obligation bears interest at 6.31%, payable in monthly instalments of \$9,888 (70,882 dirham) and maturing in December 2019.

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 10. LONG-TERM DEBT (continued)

##### c) Loan

In September 2015, the Corporation and European Bank for Reconstruction and Development (“EBRD”) signed a loan agreement for \$8,304,000 (US\$6,000,000). The disbursements under the loan remain conditional to the closing by the Corporation of an equity financing of a minimum of \$2,491,200 (US\$1,800,000), which was not completed as of December 31, 2015.

The financing consists of a loan bearing an 8% interest payable semi-annually on September 30th and March 31st of each year. Additionally, a performance based interest (“PBI”) in the amount equal to 2% of revenues up to US\$26M, 1.5% from US\$26M to US\$35M and 1% above US\$35M, as stated in the most recent annual audited financial statements, payable on May 31st of each year. The Corporation paid a front-end commission of 0.5% of the loan (US\$30,000, \$41,520), which was charged to profit or loss.

The principal repayment will be as follow:

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

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

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

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

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

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

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

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

**c) Loan** (continued)

Under the terms of the agreement, the Corporation shall not enter into any agreement or arrangement to acquire by lease the use of any property or equipment unless EBRD consent to. As at December 31, 2015, the Corporation is in breach with respect to this covenant as the sale and leaseback transaction was concluded in December 2015 without prior approbation by EBRD.

**11. CONVERTIBLE DEBENTURES**

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

**a) Convertible debentures into common shares or silver ingots**

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

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 11. CONVERTIBLE DEBENTURES (continued)

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

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

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

##### b) Convertible debenture into common shares

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

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

##### c) Conversion of debentures in 2015

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

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

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 11. CONVERTIBLE DEBENTURES (continued)

##### c) Conversion of debentures in 2015 (continued)

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

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

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

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

**Year ended  
December 31,  
2015**

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

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

**Maya Gold & Silver Inc.**  
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**12. ASSET RETIREMENT OBLIGATIONS AND PROVISION FOR ENVIRONMENTAL REMEDIATION**

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

As at December 31, 2015, the estimated inflation-adjusted discounted cash flows required to settle the asset retirement obligations amounts to \$901,363 (\$845,548 in 2014). The discount rate used is 1.39% (1.79% in 2014) and the disbursements are expected to be made in 2027 (2025 in 2014). The estimated undiscounted value of this liability was estimated using an expected value approach which combines probability weighted outcomes for a variety of possible scenarios from an amount of \$750,000 to \$900,000 (\$750,000 to \$900,000 in 2014) and taking into consideration a normal inflation rate over time until 2027, for inflated costs from \$950,000 to \$1,100,000.

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

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**13. SHARE CAPITAL AND WARRANTS**

**Authorized**

Unlimited number of common shares without par value.

**Issuance of securities**

**2015**

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

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

- (1) In March 2015, the Corporation completed a private placement of 4,800,000 units at \$0.25 per unit for a total cash consideration of \$1,200,000. Each unit is comprised of one common share and one-half common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of \$0.50 until September 2016. An amount of \$72,586 was allocated to the share purchase warrants. The fair value of the warrants was measured based on the Black-Scholes option pricing model using an expected volatility of 71%, a risk-free interest rate of 0.45%, and expected dividend yield of 0% and an expected life of 18 months.
- (2) In July 2015, the Corporation issued 300,000 common shares in lieu of bonus for 2014 granted in favor of a director and officer of the Corporation following approval at the annual meeting. The shares issued were measured at fair value at the date of issuance for a total of \$69,000.
- (3) In September 2015, the Corporation closed a brokered private placement of 1,430,000 units at a price of \$0.28 per unit for gross proceeds of \$400,400. Each unit consists of one common share and one share purchase warrant of the Corporation. Each share purchase warrant entitles the holder to purchase one additional common share at an exercise price of \$0.35 for a period of 36 months from the closing date. The Corporation may accelerate the expiry time of the share purchase warrant if, at any time, the weighted average trading price of the common shares of the Corporation is equal to or above \$0.70 per share for a period of 20 consecutive trading days. An amount of \$104,748 was allocated to the share purchase warrants. The fair value of the warrants was measured based on the Black-Scholes option pricing model using an expected volatility of 73%, a risk-free interest rate of 0.47%, and expected dividend yield of 0% and an expected life of 36 months.

In connection with the private placements, financing costs consisting of cash payments totaled \$80,199.

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**13. SHARE CAPITAL AND WARRANTS** (continued)

**2014**

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

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

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

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

**Share purchase warrants**

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



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**13. SHARE CAPITAL AND WARRANTS** (continued)

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

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

**Long-term incentive plan (“LTIP”)**

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

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

**14. SHARE PURCHASE OPTIONS**

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

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

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

(1) Weighted average exercise price

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 14. SHARE PURCHASE OPTIONS (continued)

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

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

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

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

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

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**14. SHARE PURCHASE OPTIONS** (continued)

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

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

**15. ADDITIONAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS**

**Management and administration expense**

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

**Finance expense**

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

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

Expenses recognized for employee benefits are analysed below:

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

**16. INCOME TAXES**

The reconciliation of the effective tax rate is as follows:

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

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

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**16. INCOME TAXES** (continued)

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

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

Recognized deferred tax assets and liabilities are as follows:

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

|                                   | December 31,<br>2013 | Recognized in<br>profit or loss | Recognized in<br>equity | December 31,<br>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)               | -                    |

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 16. INCOME TAXES (continued)

Non-capital losses available in Canada expire as follows:

|      | Canada                 |
|------|------------------------|
|      | \$                     |
| 2027 | 1,000                  |
| 2028 | 368,832                |
| 2029 | 846,067                |
| 2030 | 1,311,851              |
| 2031 | 1,908,529              |
| 2032 | 1,490,100              |
| 2033 | 1,041,083              |
| 2034 | 2,632,331              |
| 2035 | 1,408,722              |
|      | <hr/> 11,008,515 <hr/> |

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

#### 17. CAPITAL MANAGEMENT

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

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

These objectives will be achieved by identifying the right exploration and evaluation projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and evaluation and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management team to sustain the future development of the business. As at December 31, 2015, capital was \$15,291,675 (\$17,810,070 as at December 31, 2014). Management reviews its capital management approach on an ongoing basis and believes that this approach is appropriate given the relative size of the Corporation. There were no changes in the Corporation's approach to capital management during the year ended December 31, 2015 except to add the long-term debt to the managed capital. Loan was contracted during 2015 but the amount is still not disbursed (Note 10). Variation of capital during the year is detailed in the consolidated statement of changes in equity.

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**18. FINANCIAL RISK MANAGEMENT**

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the year ended December 31, 2015. The classification of financial instruments is summarized as follows:

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

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

**Credit risk**

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

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**18. FINANCIAL RISK MANAGEMENT** (continued)

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Over the period, the Corporation generates cash flow from its financing activities and from the sales realized at the Zgounder mine during the development phase. As at December 31, 2015, the Corporation does not have sufficient funds to settle its liabilities and commitments for the next 12 months. The amounts of royalties payable are settled no later than June 30 of the subsequent reporting period. The Corporation must achieve new financings to continue the exploration and evaluation projects, pursue its mining operations at Zgounder, to cover general and administration expenses and to meet its commitments (Note 20). As at December 31, 2015, the Corporation's negative working capital totals \$10,197,494 (\$7,266,275 as at December 31, 2014). Current liabilities of \$13,545,728 (\$11,623,945 as at December 31, 2014) are due within the next 12 months. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity (see Note 2 – *Going concern*).

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

|  | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | 0 to 12<br>months<br>\$ | 12 to 24<br>months<br>\$ | More than 24<br>months<br>\$ |
|--|--------------------------|---------------------------------|-------------------------|--------------------------|------------------------------|
| Accounts payable and accrued liabilities<br>(except salaries and employee<br>benefits) | 3,032,285                | 3,032,285                       | 3,032,285               | -                        | -                            |
| Demand promissory note due to a<br>related party                                       | 4,724,315                | 4,724,315                       | 4,724,315               | -                        | -                            |
| Balances of purchase price   | 4,290,268                | 4,324,500                       | 4,324,500               | -                        | -                            |
| Credit facility  | 830,248                  | 838,550                         | 838,550                 | -                        | -                            |
| Obligation under finance lease   | 418,500                  | 474,625                         | 118,656                 | 118,656                  | 237,313                      |
| Convertible Debentures   | 2,800,393                | 3,354,000                       | 294,000                 | 3,060,000                | -                            |
|  | <b>16,096,009</b>        | <b>16,748,275</b>               | <b>13,332,306</b>       | <b>3,178,656</b>         | <b>237,313</b>               |



**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**18. FINANCIAL RISK MANAGEMENT** (continued)

**Liquidity risk** (continued)

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

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

**Currency risk**

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

**December 31, 2015**

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**18. FINANCIAL RISK MANAGEMENT** (continued)

**Currency risk** (continued)

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

The impact on comprehensive loss and equity of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances at December 31, 2015 would be approximately \$1,026,868 (\$1,058,547 as at December 31, 2014).

**Interest rate risk**

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

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

**Fair value of financial instruments**

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

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

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014** (in Canadian dollars)

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**18. FINANCIAL RISK MANAGEMENT** (continued)

**Fair value of financial instruments** (continued)

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

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

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

**Fair value hierarchy**

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

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

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

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

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

**December 31, 2015**

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
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**18. FINANCIAL RISK MANAGEMENT** (continued)

**Fair value hierarchy** (continued)

December 31, 2014

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

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

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

**19. SUPPLEMENTAL CASH FLOW INFORMATION**

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

**Maya Gold & Silver Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2015 and 2014** (in Canadian dollars)

**19. SUPPLEMENTAL CASH FLOW INFORMATION** (continued)

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

**20. COMMITMENTS AND GUARANTEES**

**Lease agreement**

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

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

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

**Royalties**

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

- 2.5% net smelter royalty ("NSR") on the Amizmiz property and an 8 km radius area of interest;
- 2.5% royalty on revenue from the Azegour property;
- 2.0% NSR on the La Campaña property.
- 3.0% royalty to ONHYM on revenue from the Zgounder property (\$164,600 (1,255,538 dirhams) for the year ended December 31, 2015 (\$60,300 (459,000 dirhams) for the year ended December 31, 2014))
- 3.0% royalty to ONHYM on revenue from the Boumadine property

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

### December 31, 2015 and 2014 (in Canadian dollars)

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#### 20. COMMITMENTS AND GUARANTEES (continued)

##### Net profit interest

##### Zgounder

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

##### Letter of credit

##### Zgounder

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

#### 21. RELATED PARTY TRANSACTIONS

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

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

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

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

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**Notes to Consolidated Financial Statements**  
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**21. RELATED PARTY TRANSACTIONS** (continued)

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

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

**Remuneration of key management personnel of the Corporation**

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

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

**22. POST-EMPLOYMENT BENEFITS**

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

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

# Maya Gold & Silver Inc.

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014 (in Canadian dollars)

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### 23. CONTINGENCY

On July 2014, Société d'Exploration Géologique des Métaux ("SEGM") filed a lawsuit against the wholly-owned subsidiary of the Corporation in Morocco, alleging that SEGM, beneficiary of a 2.5% net smelter return royalty on the Amizmiz property, suffered damage resulting from the Corporation not started production at Amizmiz property. The Corporation is of the position that it has complied with all of its obligations and has made all requested work on the property. At this stage, the results of the work programs concluded do not justify the start of production on the Amizmiz property. The Corporation is contesting this lawsuit, which it considers unfounded. The Corporation also has filed a counterclaim against SEGM, alleging that the acquisition of this property was made on the basis of a technical report delivered by SEGM that was misleading as to the advancement of the work programs on the property. The Corporation claims reimbursement for all expenses incurred on the Amizmiz property. During 2015, the court gave judgment in favor of the Corporation.

### 24. EVENT AFTER THE REPORTING DATE

#### Financing

In March 2016, the Corporation close a non-brokered private placement through the issuance of 30,372,500 units of the Corporation at \$0.12 per unit, for aggregate gross proceeds of \$3,644,700. Each unit consists of one common share of the Corporation and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share of the Corporation at any time on or before March 2018 at an exercise price of \$0.15.

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

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

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

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