Mining in Sustainability

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2019 and 2018

In **United States dollars**

UNAUDITED

MAYA GOLD & SILVER INC.

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

Maya Gold & Silver Inc.

Condensed Interim Consolidated Statements of Financial Position

(in United States dollars) (Unaudited)

	September 30, 2019	December 31, 2018	January 1, 2018
	$	$	$
ASSETS			
Current			
Cash	**16,089,403**	19,000,163	5,619,275
Accounts receivable	**1,011,446**	14,321	13,407
Sales taxes receivable	**996,250**	969,674	1,253,415
Inventories	**2,617,825**	1,197,673	1,618,499
Prepaid expenses and security deposits	**73,796**	88,591	23,199
	20,788,720	21,270,422	8,527,795
Non-current			
Restricted investment	**7,553**	7,334	7,955
Non-refundable deposits to suppliers	**300,689**	156,949	183,624
Property, plant and equipment (Note 4)	**20,826,560**	19,707,144	15,729,784
Exploration and evaluation assets (Note 5)	**6,633,170**	5,740,153	4,838,867
TOTAL ASSETS	**48,556,692**	46,882,002	29,288,025
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**3,041,113**	3,488,748	3,990,445
Interest and net profit interest payable to a related party (Note 134)	**142,669**	85,481	396,290
Balance of purchase price payable (Note 6)	**1,458,628**	1,046,255	1,566,699
Current portion of long-term debt (Note 7)	**72,382**	71,927	80,239
	4,714,792	4,692,411	6,033,673
Non-current			
Long-term debt (Note 7)	**32,660**	-	6,061,142
Balance of purchase price payable (Note 6)	**-**	1,338,754	1,167,765
Asset retirement obligations	**1,098,597**	1,087,725	1,158,268
TOTAL LIABILITIES	**5,846,049**	7,118,890	14,420,848
EQUITY			
Share capital (Note 8)	**79,187,836**	78,439,692	45,216,872
Share capital to be issued (Note 8)	**-**	-	2,570,948
Share purchase warrants (Note 9)	**-**	96,737	1,749,295
Share purchase options (Note 10)	**1,167,349**	1,367,349	1,191,233
Contributed surplus	**7,640,353**	7,440,353	6,446,839
Deficit	**(41,818,260)**	(43,100,352)	(40,436,526)
Accumulated other comprehensive loss	**(3,466,635)**	(4,480,667)	(1,871,484)
TOTAL EQUITY	**42,710,643**	39,763,112	14,867,177
TOTAL LIABILITIES AND EQUITY	**48,556,692**	46,882,002	29,288,025

Contingency (Note 15)

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

On behalf of the Board,

/s/ Noureddine Mokaddem
Noureddine Mokaddem, Founder, President, CEO, Director

/s/ Martin Wong
Martin Wong, Director

Maya Gold & Silver Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(in United States dollars) (Unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
			$	$
Revenue from silver sales	**1,533,754**	-	**4,094,931**	-
Cost of sales	**1,215,027**	-	**2,334,606**	-
Gross margin	**318,727**	-	**1,760,325**	-
Expenses and other items				
Management and administration (Note 11)	**74,684**	345,670	**447,133**	1,835,090
Investor relations and corporate development	**29,733**	22,558	**111,224**	72,989
(Gain) loss on foreign exchange	**(64,473)**	(15,196)	**(241,502)**	283,770
	39,944	353,032	**316,855**	2,191,849
Operating income (loss) for the period	**278,783**	(353,032)	**1,443,470**	(2,191,849)
Royalties	**45,692**	17,538	**117,736**	106,367
Net profit interest to a related party (Note 14)	**85,447**	3,772	**143,325**	70,410
Net Finance (income) expense	**(205,229)**	60,898	**(140,820)**	674,974
Income (loss) before income taxes	**352,873**	(435,240)	**1,323,229**	(3 043 600)
Income tax expense	**7,631**	53,942	**20,005**	69,064
Net income (loss) for the period	**345,242**	(489,182)	**1,303,224**	(3,112,664)
Other comprehensive income (loss)				
Items that will subsequently be reclassified to net income (loss):				
Foreign currency translation of foreign subsidiaries	**(556,259)**	295,158	**1,014,032**	(424,966)
Comprehensive (loss) income for the period	**(211,017)**	(194,158)	**2,317,256**	(3,537,630)
Basic income (loss) per common share for the period	**0.004**	(0.01)	**0.017**	(0.04)
Diluted income (loss) per common share for the period	**0.004**	(0.01)	**0.017**	(0.04)
Weighted average number of shares - basic	**78,864,425**	77,683,865	**79,645,774**	71,369,672
Weighted average number of shares - diluted	**78,878,546**	77,683,865	**79,657,420**	71,369,672

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

Maya Gold & Silver Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(in Canadian dollars) (Unaudited)

	Number of issued and outstanding shares	Share capital	Share capital to be issued	Share purchase warrants	Share purchase options	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total equity
		$		$	$	$	$	$	$
Balance as at December 31, 2018	**78,356,675**	**78,439,692**	**-**	**96,737**	**1,367,349**	**7,440,353**	**(43,100,352)**	**(4,480,667)**	**39,763,112**
Warrants exercised (Note 9)	1,300,000	771,776	-	(96,737)	-	-	-	-	675,039
Repurchase of own shares (note 9)	(30,973)	(23,632)	-	-	-	-	(21,132)	-	(44,764)
Share purchase options expired (note 10)	-	-	-	-	(200,000)	200,000	-	-	-
Net income for the period	-	-	-	-	-	-	**1,303,224**	-	**1,303,224**
Other comprehensive income	-	-	-	-	-	-	-	**1,014,032**	**1,014,032**
Comprehensive income for the period	-	-	-	-	-	-	**1,303,224**	**1,014,032**	**2,317,256**
Balance as at September 30, 2019	**79,625,702**	**79,187,836**	**-**	**-**	**1,167,349**	**7,640,353**	**(41,818,260)**	**(3,466,635)**	**42,710,643**
Balance as at January 1, 2018	56,487,445	45,216,872	2,570,948	1,749,295	1,191,233	6,446,839	(40,436,526)	(1,871,484)	14,867,177
Issuance of units	11,891,282	24,568,778	(2,570,948)	-	-	-	-	-	21,997,830
Share issue costs	-	-	-	-	-	-	(23,240)	-	(23,240)
Warrants exercised	8,940,442	6,550,116	-	(729,757)	-	-	-	-	5,820,359
Warrants expired	-	-	-	(724,512)	-	724,512	-	-	-
Share purchase options exercised	1,037,500	1,982,141	-	-	(727,151)	-	-	-	1,254,990
Share purchase options expired	-	-	-	-	(192,497)	192,497	-	-	-
Share purchase options granted	-	-	-	-	1,095,764	-	-	-	1,095,764
	78,356,675	78,317,907	-	295,026	1,367,349	7,363,848	(40,459,766)	(1,871,484)	45,012,880
Net loss for the period	-	-	-	-	-	-	(3,112,664)	-	(3,112,664)
Other comprehensive loss	-	-	-	-	-	-	-	(424,966)	(424,966)
Comprehensive loss for the period	-	-	-	-	-	-	(3,112,664)	(424,966)	(3,537,630)
Balance as at September 30, 2018	78,356,675	78,317,907	-	295,026	1,367,349	7,363,848	(43,572,430)	(2,296,450)	41,475,250

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

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
Cash flows provided by (used in)			**$**	$
OPERATING ACTIVITIES				
Net income (loss) for the period	**345,242**	(489 182)	**1,303,224**	(3,112,664)
Adjustments for non-cash items				
Share-based payments	**-**	-	**-**	1,095,764
Amortization	**392,435**	-	**868,154**	-
Finance expense	**71,174**	5,272	**195,375**	189,213
Unrealized gain on foreign exchange	**(3,440)**	1,478,315	**(180,469)**	1,417,398
Changes in working capital items (Note 13)	**(779,102)**	(1,015,942)	**282,323**	(1,478,529)
	26,309	(21,537)	**2,468,607**	(1,888,818)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(423,739)**	(1,710,541)	**(4,694,751)**	(6,830,413)
Silver sales	**-**	648,457	**-**	3,879,529
Acquisition of exploration and evaluation assets	**(329,429)**	252,206	**(552,621)**	(284,831)
	(753,168)	(809,878)	**(5,247,372)**	(3,235,715)
FINANCING ACTIVITIES				
Repayment of balance of purchase price payable	-	56,183	**(1,040,850)**	(583,924)
Repayment of long-term debt	**(36,944)**	(19,978)	**(110,994)**	(6,189,337)
Proceeds from exercise of warrants	**-**	-	**675,039**	-
Repurchase of own shares	**(44,764)**	-	**(44,764)**	-
Issuance of shares and warrants (net of issue costs)	**-**	1,096,625	**-**	29,049,918
	(81,708)	1,132,830	**(521,569)**	22,276,657
Effect of exchange rate changes on cash	**(309,357)**	(269,288)	**389,574**	(889,335)
Net change in cash	**(1,120,819)**	32,127	**(2,910,760)**	16,262,789
Cash, beginning of period	**17,210,222**	21,849,937	**19,000,163**	5,619,275
Cash, end of period	**16,089,403**	21,882,064	**16,089,403**	21,882,064

Supplemental cash flow information (Note 13)

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

1. GENERAL INFORMATION

Maya Gold & Silver Inc. ("Maya") is a Canadian-based resource company engaged in the production, acquisition, development and exploration of mineral properties. Maya was incorporated on December 19, 2007 under the Canada Business Corporations Act and is listed on the TSX Exchange ("TSX") under the symbol "MYA" (the Corporation graduated from the TSX Venture Exchange on July 31, 2018). Maya's registered office is located at Suite 2200, 1250 René-Lévesque, Montréal, Québec, Canada.

Maya and its subsidiaries (together the "Corporation") own interest in mineral properties located in Morocco. At September 30, 2019, the Corporation is at the commercial production stage for its Zgounder project and at exploration and evaluation stage for the other projects in Morocco. Their operations include the acquisition, exploration, evaluation and development of mining properties.

The Corporation declared commercial production, as of January 1, 2019, at its Zgounder mine. The Zgounder property is held by Zgounder Millenium Silver Mining S.A ("ZMSM"), which is owned 85% by the Corporation and 15% by L'Office National des Hydrocarbures et des Mines ("ONHYM").

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Statement of compliance

The condensed interim consolidated financial statements of the Corporation for the three-month and nine-month periods ended September 30, 2019 and 2018 have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018 which have been prepared in accordance with IFRS.

The Audit Committee approved these condensed interim consolidated financial statements, effective November 12, 2019.

Significant accounting judgments and estimates

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates *(continued)*

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.

The Corporation has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Corporation is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. Judgment was also applied in determining the functional currency of the Corporation and the start-up of the Zgounder mine commercial production.

Significant estimates and assumptions were used during the period for the allocation of costs capitalized from mining assets under development to other category of assets under Property, plant and equipment, as well as for determining the estimated recoverable ounces of silver, which are the prime determinants of the life of a mine and used to amortize these assets.

Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2018, except for the new accounting standards and amendments to standards and interpretations adopted as at January 1, 2019, as summarized in note 3, and the following modifications to significant accounting policies:

Functional and presentation currency

Prior to these interim consolidated financial statements, the presentation currency was the Canadian dollar. In 2019, management decided to change the presentation currency from the Canadian dollar to the United States dollar ("USD") to better reflect the market the Corporation operates in. As such, these condensed interim consolidated financial statements are now presented in **USD**, together with the comparative numbers as at December 31, 2018 and January 1, 2018 and for the three-month and nine-month periods ended September 30, 2018.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (continued)

Significant accounting policies *(continued)*

Leases

The Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

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

Revenue from silver sales

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

Depreciation of Property, plant and equipment

Effective from the point an asset is available for its intended use, property, plant and equipment are depreciated using either the straight-line or units-of-production methods over the shorter of the estimated economic life of the asset or the mining operation. Depreciation is determined based on the method which best represents the use of the assets. A large portion of the property, plant and equipment is depreciated using the units-of-production method over the expected operating life of the mine based on estimated recoverable ounces of silver, which are the prime determinants of the life of a mine. Estimated recoverable ounces of silver include proven and probable reserves and non-reserve material when sufficient objective evidence exists that it is probable the non-reserve material will be produced. The Corporation evaluates the estimate of mineral reserves and resources at least on an annual basis and adjusts the units-of-production method calculation prospectively. A decrease in the mineral reserves would increase depreciation expense, and this could have a material impact on the operating results. For the three-month and nine-month periods ended September 30, 2019, the Corporation has included in its depreciation calculations on a units-of-production basis non-reserve material for which there is a high degree of confidence in its economic extraction.

3. NEW OR REVISED ACCOUNTING STANDARDS OR INTERPRETATIONS

IFRS 16, *Leases*

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

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

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019 of 6.09%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

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

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

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

3. NEW OR REVISED ACCOUNTING STANDARDS OR INTERPRETATIONS (continued)

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

	January 1, 2019
	$
Right-of-use assets presented in property, plant and equipment	214,850
Lease liabilities	214,850

	January 1, 2019
	$
Operating lease commitment at December 31, 2018 as disclosed in the Corporation's consolidated financial statements	82,328
Discounted using the incremental borrowing rate at January 1, 2019	71,896
Services contracts excluded from IFRS 16 application	(9,549)
Extension option reasonably certain to be exercised	69,502
Purchase option reasonably certain to be exercised	961
Minimum lease payments on finance lease liabilities as at December 31, 2018	82,040
	214,850

4. PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation equipment	Mining and processing equipment	Mining asset	Asset under construction	Mining assets under development	Furniture, mining vehicles, computers	Total
	$	$	$		$	$	$
Cost							
Balance at January 1, 2018	346,439	-	-	-	15,729,784	21,892	16,098,115
Additions	324,217	-	-	-	9,784,217	-	10,108,434
Silver sales	-	-	-	-	(4,912,953)	-	(4,912,953)
Impairment	(337,394)	-	-	-	-	(21,321)	(358,715)
Foreign exchange	(18,856)	-	-	-	(1,208,310)	(571)	(1,227,737)
Balance at December 31, 2018	314,406	-	-	-	19,392,738	-	19,707,144
Impact on transition to IFRS 16	-	-	-	-	(82,040)	214,850	132,810
Balance at January 1, 2019	314,406	-	-	-	19,310,698	214,850	19,839,954
Reclassification to exploration and evaluation assets	-	-	-	-	(165,909)	-	(165,909)
Reclassification	-	9,139,925	9,640,594	364,270	(19,144,789)	-	-
Addition	-	1,342,941	-	83,090	-	-	1,426,031
Foreign exchange	9,427	276,520	289,072	10,923	-	4,724	590,666
Balance at September 30, 2019	323,833	10,759,386	9,929,666	458,283	-	219,574	21,690,742
Depreciation							
Balance at January 1, 2018	346,439	-	-	-	-	21,892	368,331
Impairment	(337,394)	-	-	-	-	(21,321)	(358,715)
Foreign exchange	(9,045)	-	-	-	-	(571)	(9,616)
Balance at December 31, 2018	-	-	-	-	-	-	-
Amortization	16,266	404,792	373,577	-	-	73,519	868,154
Foreign exchange	(74)	(1,852)	(1,710)	-	-	(336)	(3,972)
Balance at September 30, 2019	16,370	201,741	193,208	-	-	73,183	484,502
Carrying amounts							
At January 1, 2018	-	-	-	-	15,729,784	-	15,729,784
At December 31, 2018	314,406	-	-	-	19,392,738	-	19,707,144
At September 30, 2019	307,641	10,356,446	9,557,799	458,283	-	146,391	20,826,560

In January 2019, the Corporation reached commercial production level at its Zgounder mine. As of January 1, 2019, the Corporation reclassified its property, plant and equipment from mining assets under development to its specific categories. Accordingly, depreciation commenced January 1, 2019.

All properties, plant and equipment are located in Morocco.

As at September 30, 2019, property, plant and equipment include right-of-use assets of $146,391 (January 1, 2019 - $214,850).

5. EXPLORATION AND EVALUATION ASSETS

During the nine-month period ended September 30, 2019 and the year ended December 31, 2018, changes in exploration and evaluation assets were as follows:

	Nine-month period ended September 30, 2019	Year ended December 31, 2018
	$	$
Rights on mining properties		
Balance, beginning of the period	**3,830,210**	3,852,286
Additions	**-**	-
Foreign exchange	**114,797**	(22,076)
Balance, end of the period	**3,945,007**	3,830,210
Deferred exploration and evaluation expenses		
Balance, beginning of the period	**1,909,943**	986,581
Additions		
Geology	**108,594**	122,937
Drilling and sampling	**444,027**	658,398
Reclassification from property, plant and equipment	**165,909**	-
Administrative	**-**	62,636
Foreign exchange	**59,690**	79,391
Balance, end of the period	**2,688,163**	1,909,943
Total	**6,633,170**	5,740,153

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

Boumadine project

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

In February 2013, the Corporation and L'Office National des Hydrocarbures et des mines ("ONHYM"), a Moroccan state institution, entered into an Agreement for the Boumadine polymetallic deposit (the "Convention"). Under the terms of the Convention, the Corporation acquired 85% of the Boumadine project while ONHYM retained remaining 15% ownership.

The transfer of the property will occur once all requirements are complete, as more described in note 6.

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 ($10,118) until production begins.

6. BALANCE OF PURCHASE PRICE PAYABLE

	Nine-month period ended September 30, 2019	Year ended December 31, 2018
	$	$
Balance at beginning of the period	**2,385,009**	2,734,464
Accretion expense	**167,675**	344,763
Repayments	**(1,040,850)**	(640,107)
Foreign exchange	**(53,206)**	(54,111)
Balance at end of the period	**1,458,628**	2,385,009
Current portion	**1,458,628**	1,046,255
Non-current portion	**-**	1,338,754

The Convention, signed in February 2013, included a balance of purchase price payable amounting to 28,000,000 Moroccan dirham ("MAD") ($3,130,000) payable in three payments. The final payment of 10,000,000 MAD ($1,039,750) was paid in January 2019. In addition, an amount of 15,000,000 MAD ($1,517,640) which relates to past expenses incurred by the seller is payable when a subsidiary will be created, and the property be transferred to this new subsidiary, which is expected to occur in 2020. Also, this amount can be applied as a capital contribution of the future subsidiary, at the seller's request.

The transfer of the property will occur once a separate company owned at 85% by the Corporation and 15% by ONHYM has been established in Morocco under the terms of the Convention, a letter of credit amounting to 2,200,000 MAD ($222,587) has been subscribed by the Corporation to the benefit of OHNYM and all cash payments have been completed.

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.

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

7. LONG-TERM DEBT

	September 30, 2019	December 31, 2018	January 1, 2018
	$	$	$
Loan	**-**	-	5,987,590
Lease liabilities	**105,042**	71,927	153,790
	105,042	71,927	6,141,380
Current portion	**72,382**	71,927	80,239
Non-current portion	**32,660**	-	6,061,141

During the year ended December 31, 2018, the Corporation repaid, in full, the loan due to Corporation and European Bank for Reconstruction and Development ("EBRD"). The payment amounted to $6,000,000.

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

	Obligation under Lease liabilities
	$
2019 (3 months months)	32,697
2020	59,889
2021	21,173
Total minimum payments	113,759

8. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Common Shares
Transactions during the nine-month period ended September 30, 2019

As at September 30, 2019, the Company had 79,625,702 issued and outstanding common shares (December 31, 2018 - 78,356,675).

During the period ended September 30, 2019, 1,300,000 common shares were issued as a result of 1,300,000 warrants being exercised for total aggregate value of $675,039.

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

During the nine-month period ended September 30, 2019, the Company repurchased 30,973 common shares at a price ranging from $1.62 to $2.20 per share for a total purchase price of $44,764 relating to the NCIB. The excess of the purchase price paid over the carrying value of the shares repurchased in the amount of $21,132 was charged to retained earnings as share repurchase premium.

9. SHARE PURCHASE WARRANTS

The outstanding warrants as at September 30, 2019 and December 31, 2018 and the respective changes during the nine-month period and year then ended are summarized as follows:

	Nine-month period ended September 30, 2019		Year ended December 31, 2018	
	Number	Weighted average exercise price ($)	Number	Weighted average exercise price ($)
Balance, beginning of period	1,300,000	0.51	14,277,204	0.72
Exercised	(1,300,000)	0.51	(8,940,442)	0.72
Expired	-	-	(4,036,762)	0.97
Balance, end of period	-	-	1,300,000	0.51

10. SHARE PURCHASE OPTIONS

The outstanding options as at September 30, 2019 and December 31, 2018 and the respective changes during the nine-month period and year then ended are summarized as follows:

	Nine-month period ended September 30, 2019		Year ended December 31, 2018	
	Number	**$ (1)**	**Number**	**$ (1)**
Balance, beginning of the period	1,190,000	2.19	1,593,750	1.20
Granted	-	-	890,000	2.42
Expired	(300,000)	1.50	(162,500)	1.05
Exercised	-	-	(1,037,500)	1.15
Cancelled	-	-	(93,750)	1.50
Balance, end of the period	890,000	2.41	1,190,000	2.19

(1) Weighted average exercise price

The following table reflects the share purchase options issued and outstanding at September 30, 2019:

Expiry date	Number of options	Exercise price	Remaining contractual life (years)	Number of options Options exercisable
	Number	**$**	**Number**	**Number**
January 2023	50,000	1.50	3.82	50,000
May 2023	800,000	2.47	3.99	800,000
June 2023	40,000	2.47	4.22	40,000
	890,000	2.41	3.99	890,000

11. ADDITIONAL INFORMATION ON THE NATURE OF COMPREHENSIVE LOSS COMPONENTS

The following is a breakdown of the nature of expenses included in management and administration expenses and finance expense for the three-month and nine-month periods ended September 30:

Management and administration expenses

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2019	2018	**2019**	2018
				$
Salaries and benefits	**29,033**	36,989	**156,914**	88,768
Consulting fees	**1,295**	18,953	**63,195**	59,341
Share-based payments	**-**	-	**-**	1,095,764
Office	**3,681**	6,639	**32,760**	113,140
Professional fees	**30,108**	152,317	**135,237**	326,519
Reporting issuer costs	**10,567**	130,772	**59,027**	151,558
	74,684	345,670	**447,133**	1,835,090

12. FINANCIAL INSTRUMENTS

The following table classifies financial assets and liabilities that are recognized on the condensed interim 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.

During the three-month and nine-month periods ended September 30, 2019, there were no transfers between Level 1, Level 2 and Level 3 (2018 – None).

Current financial instruments that are not measured at fair value on the condensed interim 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 interest and net profit interest payable to a related party. Their carrying values are considered to be a reasonable approximation of their fair value because of their short-term maturity and /or contractual terms of these instruments.

The fair value of the balance of purchase price payable for the acquisition of the Boumadine property is not materially different from its carrying value as there was no material change in the assumptions used for fair value determination at inception. Therefore, its principal amount approximates its fair value.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2019	2018	**2019**	2018
				$
Changes in working capital items				
Accounts receivable	**(993,645)**	(61,714)	**(992,989)**	(65,885)
Sales taxes receivable	**(57,250)**	(25,994)	**2,416**	(136,015)
Inventories	**2,937**	(1,716)	**(1,379,183)**	(325,323)
Prepaid expenses and security deposits	**(20,378)**	24,446	**17,380**	(24,791)
Accounts payable and accrued liabilities	**200,099**	(964,296)	**2,718,800**	(638,011)
Net profit interest payable to a related party	**84,703**	10,659	**(54,428)**	(308,615)
Non-refundable deposits to suppliers	**(4,432)**	2,673	**(138,529)**	20,111
	(779,102)	(1,015,942)	**282,323**	(1,478,529)
Non-cash transactions				
Finance expense recorded in property, plant and equipment	**-**	163,861	**-**	448,698
Variation of unpaid additions of property, plant and equipment	**(10,514)**	618,673	**(3,268,720)**	223,662

14. RELATED PARTY TRANSACTIONS

During the nine-month period ended September 30, 2019, the following related party transactions occurred in the normal course of operations:

- A firm, of which a director of the Corporation is a partner, charged professional fees amounting to $32,935 recorded as professional fees (2018 - $67,697);
- Glowat, a private company owned by a party related to an officer and director of the Corporation charged a net profit interest expense of $143,325 (2018 - $70,411).

During the nine-month period ended September 30, 2019, the Corporation paid $116,000 (2018 – $385,914) to Glowat in settlement of amounts owing. As at September 30, 2019, the Corporation had a liability to Glowat amounting to $142,669 (2018 - $85,481).

Remuneration of key management personnel of the Corporation

Key management included members of the Board of Directors and executive officers of the Corporation consisting of the Chief Executive Officer, President and Chief Financial Officer. During the three-month and nine-month periods ended September 30, 2019 and 2018, the remuneration awarded to key management personnel (including the amounts above) is as follows:

	Three-month period ended September 30,		**Nine-month period ended September 30,**	
	2019	2018	**2019**	2018
				$
Salaries and benefits	**129,703**	66,562	**225,698**	202,200
Management consulting and professional fees	**-**	20,348	**-**	41,915
Directors fees	**-**	-	**-**	3,558
	129,703	86,910	**225,698**	247,673

15. CONTINGENCY

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

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