CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010

In Canadian dollars

April 26, 2012

Independent Auditor's Report

To the Shareholders of
Maya Gold & Silver Inc.

We have audited the accompanying consolidated financial statements of Maya Gold & Silver Inc., which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Maya Gold & Silver Inc. as at December 31, 2011 and 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describe matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Maya Gold & Silver Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

[1] Chartered accountant auditor permit no. 20910

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

	December 31, 2011	December 31, 2010 (Note 17)	January 1, 2010 (Note 17)
	$	$	$
ASSETS			
Current			
Cash and cash equivalents	**1,905,421**	350,568	383,871
Sales taxes receivable	**44,962**	27,230	33,108
Prepaid expenses	**32,231**	56,952	75,035
	1,982,614	434,750	492,014
Non-current			
Restricted short-term investment (Note 4)	**20,040**	20,000	20,000
Property and equipment (Note 5)	**378,452**	484,032	342,016
Exploration and evaluation assets (Note 6)	**9,347,043**	5,566,492	2,657,135
TOTAL ASSETS	**11,728,149**	6,505,274	3,511,165
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**721,345**	246,234	420,234
Balance of purchase price payable (Note 6 a))	**593,500**	-	-
	1,314,845	246,234	420,234
Non-current			
Debentures (Note 7)	**700,000**	-	-
Deferred income taxes (Note 11)	**132,000**	146,000	114,000
TOTAL LIABILITIES	**2,146,845**	392,234	534,234
EQUITY			
Share capital (Note 8)	**14,391,012**	8,939,112	5,494,525
Share purchase warrants (Note 8)	**2,748,943**	1,589,413	452,787
Share purchase options (Note 9)	**529,563**	373,618	226,254
Contributed surplus	**252,098**	209,287	149,320
Deficit	**(8,340,312)**	(4,998,390)	(3,345,955)
TOTAL EQUITY	**9,581,304**	6,113,040	2,976,931
TOTAL LIABILITIES AND EQUITY	**11,728,149**	6,505,274	3,511,165

Going concern (Note 2)
Commitments (Note 15)
Events after the reporting date (Note 18)

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/ Martin Wong

Martin Wong, Director

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

	Year ended December 31, 2011	Year ended December 31, 2010 (Note 17)
	$	$
Expenses		
Management and administration (Note 10)	**2,537,670**	1,330,366
General exploration and evaluation expenses	**313,203**	95,123
Cost of warrant extension (Note 8)	**100,000**	-
Operating loss	**(2,950,873)**	(1,425,489)
Gain on disposal of property and equipment	**-**	(2,622)
Finance expense related to debentures	**4,200**	-
Finance income	**(392)**	(708)
Loss before income taxes	**(2,954,681)**	(1,422,159)
Deferred income tax expense (recovery) (Note 11)	**(14,000)**	32,000
Net loss and comprehensive loss	**(2,940,681)**	(1,454,159)
Basic and diluted loss per share	**(0.06)**	(0.05)
Weighted average number of shares - basic and diluted	**48,775,555**	32,224,578

Going concern (Note 2)

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

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

	Number of issued and outstanding shares	Share capital	Share purchase warrants	Share purchase options	Contributed surplus	Deficit	Total equity
		$	$	$	$	$	$
Balance as at January 1, 2011	40,633,309	8,939,112	1,589,413	373,618	209,287	(4,998,390)	6,113,040
Private placements (Note 8 i),iv))	17,119,312	4,396,911	966,779	-	-	-	5,363,690
Units issued in lieu of bonus payment (Note 8 iv))	666,667	224,475	75,525	-	-	-	300,000
Share issue costs (Note 8 i),iv))	-	-	64,478	-	-	(401,241)	(336,763)
Shares issued for mining properties (Note 8 ii),iii))	2,055,555	797,223	-	-	-	-	797,223
Exercise of agent options (Note 8 v))	22,125	10,291	(1,441)	-	-	-	8,850
Exercise of warrants (Note 8 v))	50,000	23,000	(3,000)	-	-	-	20,000
Cost of warrant extension (Note 8)	-	-	100,000	-	-	-	100,000
Expiration of agent options (Note 8)	-	-	(42,811)		42,811	-	-
Share-based payments (Note 9)	-	-	-	155,945	-	-	155,945
	60,546,967	14,391,012	2,748,943	529,563	252,098	(5,399,631)	12,521,985
Net loss and comprehensive loss for the year	-	-	-	-	-	(2,940,681)	(2,940,681)
Balance as at December 31, 2011	**60,546,967**	14,391,012	2,748,943	529,563	252,098	(8,340,312)	9,581,304
Balance as at January 1, 2010	25,115,629	5,494,525	452,787	226,254	149,320	(3,345,955)	2,976,931
Private placements (Note 8 vi),vii),viii),x))	14,682,128	3,224,559	1,111,491	-	-	-	4,336,049
Units issued in lieu of directors' fees (Note 8 viii))	112,600	22,002	6,148	-	-	-	28,150
Share issue costs (Note 8 vi),vii),viii),x))	42,000	8,736	21,135	-	-	(198,276)	(168,405)
Shares issued for mining property (Note 8 ix))	666,667	180,000	-	-	-	-	180,000
Exercise of warrants (Note 8 v))	14,285	9,290	(2,147)	-	-	-	7,143
Cancellation of share purchase options (Note 9)	-	-	-	(59,967)	59,967	-	-
Share-based payments (Note 9)	-	-	-	207,331	-	-	207,331
	40,633,309	8,939,112	1,589,413	373,618	209,287	(3,544,231)	7,567,199
Net loss and comprehensive for the year (Note 17)	-	-	-	-	-	(1,454,159)	(1,454,159)
Balance as at December 31, 2010 (Note 17)	40,633,309	8,939,112	1,589,413	373,618	209,287	(4,998,390)	6,113,040

Going concern (Note 2)
The accompanying notes are an integral part of these consolidated financial statements.

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

	Year ended December 31, 2011	Year ended December 31, 2010 (Note 17)
Cash flows provided by (used in)	**$**	$
OPERATING ACTIVITIES		
Net loss	**(2,940,681)**	(1,454,159)
Adjustments		
Share-based payments	**155,945**	207,331
Depreciation	**5,552**	6,652
Cost of warrant extension	**100,000**	-
Gain on disposal of property and equipment	**-**	(2,622)
Deferred income tax expense (recovery)	**(14,000)**	32,000
Director fees paid through issuance of units	**-**	28,150
Bonus paid through issuance of units	**300,000**	-
Changes in working capital items (Note 14)	**402,290**	(93,220)
	(1,990,894)	(1,275,868)
INVESTING ACTIVITIES		
Restricted short-term investment	**(40)**	-
Acquisition of property and equipment	**(787)**	(257,241)
Proceeds from disposal of property and equipment	**-**	5,453
Increase in exploration and evaluation assets	**(2,209,203)**	(2,648,237)
	(2,210,030)	(2,900,025)
FINANCING ACTIVITIES		
Issuance of shares and warrants, net of issue costs	**5,026,927**	4,135,447
Exercise of warrants and agent options	**28,850**	7,143
Issuance of debentures	**700,000**	-
	5,755,777	4,142,590
Net increase (decrease) in cash and cash equivalents	**1,554,853**	(33,303)
Cash and cash equivalents, beginning of year	**350,568**	383,871
Cash and cash equivalents, end of year	**1,905,421**	350,568

Going concern (Note 2)

Supplemental cash flow information (Note 14)

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

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

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

Maya and its subsidiaries (the "Corporation") are at the exploration and evaluation stage and their operations include the acquisition, exploration, evaluation and development of mining properties. To date, the Corporation has not earned any revenue from mining operations.

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

All financial results in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated.

The Board of Directors approved these consolidated financial statements on April 26, 2012.

2. GOING CONCERN

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

For the year ended December 31, 2011, the Corporation reported a loss and comprehensive loss of $2,940,681 ($1,454,159 in 2010) and has an accumulated deficit of $8,340,312 at December 31, 2011 ($4,998,390 at December 31, 2010). 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 and pay for general and administration costs. As at December 31, 2011, the Corporation had working capital of $667,769 ($188,516 at December 31, 2010), including cash and cash equivalents of $1,905,421 ($350,568 at December 31, 2010). Management estimates that these funds will not be sufficient to meet the Corporation’s obligations and budgeted expenditures through December 31, 2012. 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, 2011, the Corporation raised $5,363,690 from private placements ($4,336,049 in 2010, from private placements) to finance exploration and evaluation programs and working capital. Subsequent to year end, the Corporation completed a private placement of $1,680,000 and issued non-convertible debentures of $480,000 (Note 18). While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in there consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards ("IFRS")

The Corporation prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate the International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Corporation's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

Subject to the application of the transition elections described in Note 17, the accounting policies applied in these consolidated financial statements and described below, have been applied consistently to all periods presented, including the opening statement of financial position as at January 1, 2010 (the Corporation's "Transition Date").

Basis of measurement

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

Basis of consolidation

These consolidated financial statements include the accounts of Maya and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Maya and all of its subsidiaries have a reporting date of December 31. The following entities have been consolidated within these consolidated financial statements:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of Maya and its subsidiaries. The functional currencies of the entities have remained unchanged during the reporting periods.

For Maya and its subsidiaries having the Canadian dollar as their functional currency, monetary assets and liabilities denominated in a foreign currency are translated 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. 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.

Financial assets and liabilities

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.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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:

Financial assets	**Classification**
Cash and cash equivalents	Loans and receivables
Restricted short-term investment	Loans and receivables
Financial liabilities	
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Balance of purchase price payable	Financial liabilities at amortized cost
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 expenses.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities *(continued)*

ii) 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. Financial liabilities are de-recognized when the obligations are extinguished, discharged, cancelled or expired.

iii) 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.

Cash and cash equivalent

Cash and cash equivalents include cash on hand, bank balances and highly liquid short-term investments with maturities of three months or less.

Restricted short-term investment

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets *(continued)*

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 final feasibility studies.

When a mine project moves into the development phase, exploration and evaluation expenditures are capitalized to mine development costs in property and equipment.

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

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

Proceeds on the sale of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of property 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 and equipment have a different useful life, they are accounted for as separate items of property and equipment.

Depreciation is recognized on a declining basis using the cost of property 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 statement of comprehensive loss during the period in which they are incurred.

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

	Method	Rate
Office furniture	Declining	20%
Exploration and evaluation equipment	Declining	20%
Vehicles	Declining	30%
Computer equipment	Declining	30%

Depreciation expense is capitalized in exploration and evaluation assets if the assets are unused or attributable to exploration and evaluation activities.

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 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. The recoverable amount is the higher of an asset’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, 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. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, 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.

3. 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.

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 directly in equity, in which case it is recognized directly in equity.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payments are made in exchange for services received or for the acquisition of properties. 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 is recognized as an expense over the vesting period with a corresponding increase to the share purchase option 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.

Share issue expenses

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

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.

For the purpose of calculating diluted loss per share, the Corporation assumes the exercise of its dilutive share purchase warrants, share purchase options and agent options.

Segmented information

The Company currently has only one operating segment which is mineral exploration.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include the impairment of non-financial assets. The Corporation's recoverable amount measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. 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 recoverable amount estimates 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 result of operations. Assets are reviewed for an indication of impairment at each balance sheet 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, significant negative industry or economic trends, interruptions in exploration and evaluation activities and a significant drop in current or future silver prices.

A number of judgments were made in the determination of the Corporation's cash generating units. If a different conclusion had been reached for any one of those assumptions, it could have resulted in the identification of cash generating units different from those actually identified by the Corporation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these consolidated financial statements are listed below, none of which have been early adopted by the Corporation. The Corporation intends to adopt them once they become effective. The Corporation is currently evaluating the impact that these standards, amendments and interpretations will have on its consolidated financial statements.

IFRS 7, Financial Instruments: Disclosures

This amendment provides disclosure guidance on transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. Earlier application is permitted.

IFRS 9, Financial Instruments: Classification and Measurement

The IASB aims to replace IAS 39, "Financial Instruments: Recognition and Measurement" in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on January 1, 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. However, the Corporation does not expect to implement IFRS 9 until all of its chapters have been published and it can comprehensively assess the impact of all changes.

IFRS 10, Consolidated Financial Statements

This new standard provides guidance on the determination of control where this is difficult to assess and replaces the consolidation requirements in SIC 12, "Consolidation – Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements". This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IFRS 13, Fair Value Measurement

This new standard sets out a single IFRS definition and measurement framework for fair value. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IFRS 12, Disclosure of Interests in Other Entities

This new standard provides disclosure guidance on interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet applied *(continued)*

IAS 12, Income Taxes

This amendment contains new standards related to deferred tax: recovery of underlying assets and supersedes SIC 21, "Income Taxes – Recovery of Revalued Non-Depreciable Assets". This amendment is effective for annual periods beginning on or after January 1, 2012. Earlier application is permitted.

4. RESTRICTED SHORT-TERM INVESTMENT

As at December 31, 2011, an amount of $20,040 ($20,000 at December 31, 2010 and January 1, 2010) was held as collateral of the Corporation's credit cards. This collateral was invested in a guaranteed investment certificate bearing interest at 1%, maturing in September 2012 and redeemable at anytime.

December 31, 2011 (in Canadian dollars)

5. PROPERTY AND EQUIPMENT

	Computers and other office equipment	Exploration and evaluation equipment	Vehicles	Deposit on purchase of exploration and evaluation equipment	**Total**
	$	$	$	$	$
Cost					
Balance at January 1, 2010	50,586	44,192	82,390	188,907	366,075
Additions	18,913	238,330	-	-	257,243
Disposals	-	(4,552)	-	-	(4,552)
Transfer from deposit to exploration and evaluation assets	-	188,907	-	(188,907)	-
Balance at December 31, 2010	69,499	466,877	82,390	-	618,766
Additions	787	-	-	-	787
Balance at December 31, 2011	70,286	466,877	82,390	-	619,553
Accumulated depreciation					
Balance at January 1, 2010	11,272	9,533	3,254	-	24,059
Depreciation	13,681	76,547	22,018	-	112,246
Disposals	-	(1,571)	-	-	(1,571)
Balance at December 31, 2010	24,953	84,509	25,272	-	134,734
Depreciation	12,758	76,474	17,135	-	106,367
Balance at December 31, 2011	37,711	160,983	42,407	-	241,101
Carrying amounts					
At January 1, 2010	39,314	34,659	79,136	188,907	342,016
At December 31, 2010	44,546	382,368	57,118	-	484,032
At December 31, 2011	32,575	305,894	39,983	-	378,452

Depreciation expense of $5,552 (2010 - $6,652) is included in the consolidated statement of comprehensive loss and an amount of $100,815 (2010 - $105,594) was charged to deferred exploration and evaluation expenses.

December 31, 2011 (in Canadian dollars)

5. PROPERTY AND EQUIPMENT (continued)

Property and equipment are located as follows:

	Computers and other office equipment	Exploration and evaluation equipment	Vehicles	Deposit on purchase of exploration and evaluation equipment	**December 31, 2011 Total**
	$	**$**	**$**	**$**	**$**
Canada – corporate office	**15,760**	**-**	**-**	**-**	**15,760**
Morocco	**16,815**	**305,894**	**39,983**	**-**	**362,692**
	32,575	**305,894**	**39,983**	**-**	**378,452**

	Computers and other office equipment	Exploration and evaluation equipment	Vehicles	Deposit on purchase of exploration and evaluation equipment	December 31, 2010 Total
	$	$	$	$	$
Canada – corporate office	20,525	-	-	-	20,525
Morocco	24,021	382,368	57,118	-	463,507
	44,546	382,368	57,118	-	484,032

	Computers and other office equipment	Exploration and evaluation equipment	Vehicles	Deposit on purchase of exploration and evaluation equipment	January 1, 2010 Total
	$	$	$	$	$
Canada – corporate office	23,842	-	-	-	23,842
Morocco	15,472	31,678	79,136	188,907	315,193
Mexico	-	2,981	-	-	2,981
	39,314	34,659	79,136	188,907	342,016

December 31, 2011 (in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

Changes in exploration and evaluation assets were as follows:

	December 31, 2011	December 31, 2010
	$	$
Rights on mining properties		
Opening balance	**1,300,050**	1,034,560
Additions – balance of purchase price payable	**593,500**	-
Additions – for shares	**797,223**	180,000
Additions – for cash	**1,936,845**	85,490
Ending balance	**4,627,618**	**1,300,050**
Advances for property acquisition and exploration and evaluation work		
Opening balance	**646,074**	85,474
Advances during the year	**2,210,000**	1,030,000
Applied on acquisition of rights and mining properties	**(1,893,259)**	-
Applied as deferred exploration and evaluation expenses	**(717,009)**	(469,400)
Ending balance	**245,806**	**646,074**
Deferred exploration and evaluation expenses		
Opening balance	**3,620,368**	1,537,101
Additions		
Salaries and benefits	**178,880**	194,704
Drilling and sampling	**43,837**	623,721
Geology and consulting	**300,973**	275,936
Supplies and others	**34,323**	562,228
Administrative	**194,423**	321,084
Depreciation	**100,815**	105,594
Ending balance	**4,473,619**	**3,620,368**
Balance, end of year	**9,347,043**	**5,566,492**

December 31, 2011 (in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration and evaluation assets are as follows:

			December 31, 2011
	Mexico	**Morocco**	**Total**
	$	**$**	**$**
Rights on mining properties	171,629	4,455,989	4,627,618
Advances for property acquisition and exploration and evaluation work	-	245,806	245,806
Deferred exploration and evaluation expenses	4,264	4,469,355	4,473,619
	175,893	**9,171,150**	**9,347,043**

			December 31, 2010
	Mexico	Morocco	Total
	$	$	$
Rights on mining properties	128,043	1,172,007	1,300,050
Advances for property acquisition and exploration and evaluation work	-	646,074	646,074
Deferred exploration and evaluation expenses	4,263	3,616,105	3,620,368
	132,306	5,434,186	5,566,492

			January 1, 2010
	Mexico	Morocco	Total
	$	$	$
Rights on mining properties	128,043	906,517	1,034,560
Advances for property acquisition and exploration and evaluation work	-	85,474	85,474
Deferred exploration and evaluation expenses	1,114	1,535,987	1,537,101
	129,157	2,527,978	2,657,135

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Mining permit No 183208 (Azegour property)

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

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

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

The transfer of property titles to the Corporation as well as the regulatory approval of the transaction by the Moroccan Ministère des Mines were confirmed in May 2011.

b) 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 premium 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.

c) Amizmiz Property

In October 2010, the Corporation entered into a property purchase agreement with Société d'Exploration Géologique des Métaux (SEGM), a Morrocan private company holding the right on the Amizmiz mining permits, replacing and cancelling the previous option agreement of March 2009, whereby it acquired from SEGM, 100% of the rights on the Amizmiz property in consideration for 1,555,555 common shares of the Corporation. In accordance with the 2009 option agreement and the 2010 acquistion 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 Ministère de l'Énergie et des Mines of Morrocco in June 2011.

6. EXPLORATION AND EVALUATION ASSETS (continued)

d) La Campaña property

The purchase of a 100% interest in the La Campaña concession located on the Baluarte Property, in Mexico, was completed in January 2011 for a final payment of US$43,334 ($40,000). The total consideration was $US140,000 (CA$146,598). A 2,0% NSR on any eventual mineral production was retained by the vendor.

7. DEBENTURES

On November 17, 2011, the Corporation completed a financing of non-convertible debentures in the principal amount of $700,000. The debentures will mature on December 31, 2013.

The Corporation agreed to reimburse the principal amount of the debentures by the delivery of silver ingots produced by the Corporation on the Zgounder mining property (Note 18) on the basis of one silver ingot of 10 kg for each tranche of $10,000 in capital. Should the Corporation not be in a position to deliver such silver ingots on the maturity date, the Corporation agreed to reimburse the principal amount of the debentures in cash, with interest at the rate of 5% per annum.

8. SHARE CAPITAL AND WARRANTS

Authorized

Unlimited number of common shares without par value.

Issuance of securities

i) On November 17, 2011, the Corporation completed a private placement of 36 units at a price of $70,000 per unit, for total gross proceeds of $2,520,000. Each Unit consists of 300,000 common shares and 150,000 common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.70 per share, exercisable at any time on or before December 31, 2013. The securities issued under the private placement are subject to a four-month hold period, expiring in March 2012.

   The warrants are subject to an accelerated expiry if, following the hold period of four months and one day, the weighted average trading price (as such term is defined in the TSXV Exchange Policies) of the shares is equal to or greater than $1.00 for any 20 consecutive trading days. In that event, the holder will be given notice that the warrants will expire within 30 days following the date of such notice. The warrants may be exercised by the holder during the 30-day period between the notice and the accelerated expiry date of the warrants.

   An amount of $250,892 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 100%, a risk-free interest rate of 0.90%, an expected dividend yield of 0% and an expected life of two years.

   In connection with the private placement, financing costs consisting in cash payments totaled $146,763, including finders' fees of $115,830 and legal fees of $17,121 paid to a related party (Note 16). The Corporation also issued 210,000 broker warrants, at an exercise price of $0.35 per common share, exercisable at any time on or before December 31, 2013. The fair value of the broker warrants was estimated at $33,167 based on the Black-Scholes options pricing model using an expected volatility of 100%, a risk-free interest rate of 0.90%, an expected dividend yield of 0% and an expected life of two years.

8. SHARE CAPITAL AND WARRANTS (continued)

Issuance of securities (continued)

ii) Following the acquisition of the Azegour property (Note 6 (a)), the Corporation issued to the vendor on September 6, 2011 a total of 500,000 common shares. The fair value of the common shares issued was determined at $0.35 per share based on the day of the issuance.

iii) In June 2011, in accordance with the property purchase agreement entered into with SEGM in 2010, the Company issued 1,555,555 common shares as a final consideration for the acquisition of a 100% interest in the Amizmiz Property. The fair value of the common shares issued was determined at $0.40 per share based on the closing stock price on the day of the issuance.

iv) In March 2011, the Corporation completed a private placement of 6,319,312 units at $0.45 per unit for a total cash consideration of $2,843,690 and 666,667 units for an amount of $300,000 in lieu of a bonus payment to a director and officer of the Corporation (Note 16). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of $0.70 until March 2013.

The warrants are subject to an acceleration clause such that, in the event that the closing price of the common shares for any 20 consecutive day trading period is equal to or greater than $1.00, the Corporation shall have the right to force conversion of the warrants, failing which the warrants will expire.

An amount of $791,412 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 100%, a risk-free interest rate of 1.64%, and expected dividend yield of 0% and an expected life of two years.

In connection with the private placement, financing costs consisting of cash payments totaled $190,000, including finders' fees of $179,478. The Corporation also issued 350,698 agent options. Each agent option was exercisable within 3 months of the closing of the private placement to subscribe for one unit at a price of $0.45. Each unit was comprised of one common share and one common share purchase warrant, with each warrant having the same terms as those issued as part of the units of the private placement. All 350,698 agent options expired unexercised in June 2011. The fair value of the agent options was measured at $31,311 based on a binomial pricing model using an expected volatility of 100%, a risk-free interest rate of 0.98%, an expected dividend yield of 0% and an expected life of 0.25 years.

v) On January 19, 2011, 22,125 common shares were issued for a cash consideration of $8,850, following the exercise of 22,125 agent options. The exercise price at the date of exercise was $0.50.

On July 19, 2011, 50,000 common shares were issued for a cash consideration of $20,000, following the exercise of 50,000 warrants. The stock price at the date of exercise was $0.50.

On December 22, 2010, 14,285 common shares were issued for a cash consideration of $7,143, following the exercise of 14,285 warrants. The stock price at the exercise date was $0.54.

8. SHARE CAPITAL AND WARRANTS (continued)

Issuance of securities (continued)

vi) In November 2010, the Corporation completed a private placement of 5,446,428 units at $0.28 per unit for a total cash consideration of $1,524,999, each unit being comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of $0.40 for a period of 24 months from closing. The warrants are subject to an acceleration clause such that, in the event that the closing price of the shares for any 20 consecutive day trading period is equal to or greater than $0.60, the Corporation shall have the right to force conversion of the warrants, failing which the warrants will expire. An amount of $391,516 was allocated to the share purchase warrants. The fair value of the warrants was measured based on the Black-Scholes pricing method using an expected volatility of 100%, a risk-free interest rate of 1.4%, an expected dividend yield of 0% and an expected life of 2 years.

In connection with the private placement, financing costs totaling $93,749 consisting in finders' fees of $84,440 to third parties, including $72,680 in cash and $11,760 in units, representing 42,000 units at $0.28 per unit, with each unit having the same other terms and conditions as the units issued in the private placement. Other financing charges amounted to $18,677.

vii) In September 2010, the Corporation completed a private placement of 2,000,000 units at $0.25 per unit for a total cash consideration of $500,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of $0.35 for a period of 18 months from closing. The warrants are subject to an acceleration clause such that, in the event that the closing price of the common shares for any 20 consecutive day trading period is equal to or greater than $0.60, the Corporation has the right to force conversion of the warrants, failing which the warrants will expire.

An estimated fair value of $ 106,002 was attributed to the warrants based on the Black-Scholes pricing method using an expected volatility of 100%, a risk-free interest rate of 1.54%, an expected dividend yield of 0% and an expected life of 1.5 years. In connection with the private placement, the Corporation paid financing charges of $12,910. In connection with the private placement, the Corporation paid $12,910 as share issued expenses.

viii) In July 2010, the Corporation completed a private placement of 4,000,800 units at $0.25 per unit for a total consideration of $1,000,200, including 112,600 units issued to directors in lieu of director fees of $28,150, each unit is comprised of one common share and one common share purchase warrant, which warrant entitles the holder thereof to subscribe to one common share of the Corporation at a price of $0.35 for a period of 18 months from closing. The warrants are subject to an acceleration clause such that, in the event that the closing price of the common shares for any 20 consecutive day trading period is equal to or greater than $0.60, the Corporation shall have the right to force conversion of the warrants, failing which the warrants will expire.

An estimated fair value of $ 218,421 (including $6,148 for the warrants comprising the units issued to directors in lieu of directors' fees) was attributed to the warrants as calculated using the Black-Scholes pricing model. The fair value of the warrants was estimated based on the Black-Scholes pricing model using an expected volatility of 100%, a risk-free interest rate of 1.50%, an expected dividend yield of 0% and an expected life of 1.5 years. In connection with the private placement, the Corporation paid financing charges of $36,871.

8. SHARE CAPITAL AND WARRANTS (continued)

Issuance of securities (continued)

ix) In March 2010, in accordance with the option agreement entered into with SEGM on the Amizmiz property, the Company issued to SEGM 666,667 of its common shares. The fair value of the common shares issued was determined at $0.27 per share based on the closing stock price on the day of the issuance.

x) In January 2010, the Corporation completed a second tranche of a private placement of 3,347,500 units at $0.40 per unit for a total cash consideration of $1,339,000. Each unit is comprised of one common share and one 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 April 30, 2012. The warrants are subject to an acceleration clause such that, in the event that the closing price of the common shares for any 20 consecutive day trading period is equal to or greater than $0.80, the Corporation shall have the right to force conversion of the warrants, failing which the warrants will expire.

An estimated fair value of $ 401,700 was attributed to the warrants based on the Black-Scholes pricing model using an expected volatility of 100%, a risk-free interest rate of 1.36%, an expected dividend yield of 0% and an expected life of 2.3 years.

In connection with the private placement, the Corporation paid to brokers a commission consisting of a cash payment of $15,850 and 89,625 agent options. Each agent option is exercisable within 24 months of the closing to acquire one unit at a price of $0.40. Each unit is comprised of one common share and one 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 April 30, 2012. Other financing fees amounted to $88,584.

The fair value of the agent options was estimated at $18,111 using a binomial pricing model based on the same assumptions used to evaluate the warrants in the private placement.

xi) In January 2010, the Corporation issued 60,000 units that remained to be issued pursuant to a private placement completed in December 2009.

December 31, 2011 (in Canadian dollars)

8. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

	Year ended December 31, 2011		Year ended December 31, 2010	
	Number	**Weighted average exercise price ($)**	Number	Weighted average exercise price ($)
Number of share purchase warrants				
Balance, beginning of year	**17,933,507**	**0.42**	3,051,064	0.50
Private placements	**11,719,312**	**0.70**	14,854,728	0.40
Bonus payment	**666,666**	**0.70**	-	-
Finders' fees	**210,000**	**0.35**	42,000	0.40
Exercise of agent options	**22,125**	**0.40**	-	-
Exercised	**(50,000)**	**(0.40)**	(14,285)	(0.50)
Balance, end of year	**30,501,610**	**0.53**	17,933,507	0.42

On December 23, 2011, the Corporation approved the extension of the term of the 4,000,800 share purchase warrants originally issued on July 7, 2010 and July 22, 2010 from January 7 and January 22, 2012 to April 3, 2012. Consequently, the adjustment to the fair value in the amount of $100,000 was charged to comprehensive loss.

December 31, 2011 (in Canadian dollars)

8. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants (continued)

At December 31, 2011, the outstanding number of warrants exercisable into common shares is as follows:

	Number of warrants Dec 31, 2010	Issued	Exercised	**Number of Warrants Dec 31, 2011**	Price per share	Expiry date
					$	
Private placement – June 2009	2,386,779	-	-	**2,386,779**	0.50	April 2012
Private placement – January 2010	4,057,500	-	-	**4,057,500**	0.50	April 2012
Private placement – July 2010	4,000,800	-	-	**4,000,800**	0.35	April 2012
Private placement – Sept 2010	2,000,000	-	-	**2,000,000**	0.35	March 2012
Private placement – November 2010	5,488,428	-	(50,000)	**5,438,428**	0.40	Dec 2012
Private placement – March 2011	-	6,985,978	-	**6,985,978**	0.70	March 2013
Private placement – November 2011	-	5,400,000	-	**5,400,000**	0.70	Dec 2013
Broker warrants – November 2011	-	210,000	-	**210,000**	0.35	Dec 2013
Exercise of agent options	-	22,125	-	**22,125**	0.35	Dec 2012
	17,933,507	12,618,103	(50,000)	**30,501,610**	0.53	

Agent options

	Year ended December 31, 2011		Year ended December 31, 2010	
	Number	**Weighted average exercise price ($)**	Number	Weighted average exercise price ($)
Balance, beginning of year	**123,375**	**0.43**	33,750	0.50
Issued	**350,698**	**0.45**	89,625	0.40
Exercised	**(22,125)**	**(0.40)**	-	-
Expired	**(350,698)**	**(0.45)**	-	-
Cancelled	**(33,750)**	**(0.50)**	-	-
Balance, end of year	**67,500**	**0.40**	123,375	0.43

Each agent option entitles the holder to subscribe for one unit of the Corporation, which each unit comprised of one common share and one common share purchase warrant.

December 31, 2011 (in Canadian dollars)

8. SHARE CAPITAL AND WARRANTS (continued)

Agent options (continued)

At December 31, 2011, the outstanding number of agent options exercisable is as follows:

	Number of agent options Dec 31, 2010	Issued	Cancelled - expired	Exercised	**Number of agent options Dec 31, 2011**	Price per unit	Expiry date
						$	
Private placement – Dec 2009	33,750	-	(33,750)	-	**-**	-	-
Private placement – Jan 2010	89,625	-	-	(22,125)	**67,500**	0.40	Jan 2012
Private placement – June 2011	-	350,698	(350,698)	-	**-**		
	123,375	350,698	(384,448)	(22,125)	**67,500**		
Average price	0.43	0.45	(0.45)	(0.40)	**0.40**		

Long-term incentive plan

At the annual shareholders meeting held on June 10, 2011 the shareholders approved the 2011 long term incentive plan of the Corporation ("LTIP") in favour of the Chief Executive Officer and the Chief Operating Officer. These officers are entitled to receive up to an aggregate of 4,000,000 common shares of the Corporation until December 2015 on the basis of certain goals and milestones. The goal is to significantly increase shareholder value by the end of December 2015 through the acquisition of material mining properties and the development up to commercial production of any of the Corporation's property. The adoption of the LTIP brings the total number of common shares reserved for future issuance under all equity compensation plans to 8,000,000. As at December 31, 2011, no common shares were granted under the plan.

December 31, 2011 (in Canadian dollars)

9. 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 4,000,000 common shares and that the exercise price of options granted may not be less than the closing price on the day preceding the grant.

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

	Year ended December 31, 2011		Year ended December 31, 2010	
	Number	**$ (1)**	Number	$ (1)
Number of Options				
Balance, beginning of year	**3,000,000**	**0.28**	2,450,000	0.29
Granted	**500,000**	**0.44**	1,050,000	0.27
Expired	**-**	**-**	(425,000)	(0.25)
Forfeited	**(100,000)**	**(0.25)**	(75,000)	(0.40)
Balance, end of year	**3,400,000**	**0.30**	3,000,000	0.28

(1) Weighted average exercise price

On August 24, 2011, the Corporation granted to a consultant, 150,000 share purchase options which have a five year term. The share purchase options are exercisable at $0.40 per share. A total of 37,500 of the share purchase options granted vested on November 30, 2011, 37,500 is schedule to vest on February 29, 2012 and 75,000 will vest by May 31, 2012.

On March 17, 2011, the Corporation granted to officers, 350,000 share purchase options which have a five year term. The share purchase options are exercisable at $0.45 per share. A total of 87,500 of the share purchase options granted vested on the date of grant, 87,500 vested on September 17, 2011 and 175,000 will vest by March 17, 2012.

On July 6, 2010, the Corporation granted to directors, officers and consultants, 900,000 share purchase stock options which have a five year term. The share purchase options are exercisable at $0.25 per share. A total of 225,000 of the share purchase options granted vested on the date of grant, 225,000 vested on January 6, 2011 and 450,000 vested on July 6, 2011. In 2011, 100,000 share purchase options were forfeited.

On February 4, 2010, the Corporation granted to a consultant, 150,000 share purchase options which have a five year term. The share purchase options are exercisable at $0.40 per share. A total of 50,000 of the share purchase options granted vested on the date of grant, 50,000 vested on August 4, 2011 and 50,000 vested on February 4, 2011.

December 31, 2011 (in Canadian dollars)

9. SHARE PURCHASE OPTIONS (continued)

The following table provides a summary of share purchase stock options granted and related Black-Scholes option pricing model input factors used:

	Year ended December 31, 2011	Year ended December 31, 2010
	Weighted average	Weighted average
Number of stock options granted during the year	500,000	1,050,000
Exercise price ($)	0.44	0.27
Grant date market price ($)	0.42	0.25
Expected stock option life (years)	5.00	5.00
Expected volatility (%)	100	100
Risk-free interest rate (%)	1.99	2.75
Dividend yield (%)	0	0
Grant date fair value (Black-Scholes value) ($)	0.27	0.18
Vesting period (in months), using the graded vesting method	14	12

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 comparable information derived from the trading history of guideline public companies which are in a similar situation to the Corporation taking into consideration the expected life of the options.

December 31, 2011 (in Canadian dollars)

9. SHARE PURCHASE OPTIONS (continued)

The following table reflects the share purchase options issued and outstanding at December 31, 2011:

Issue date	Number of options	Exercise price	Remaining contractual life (years)	Number of options exercisable
	Number	$	Number	Number
April 2008	1,600,000	0.25	1.3	1,600,000
March 2009	50,000	0.40	1.0	50,000
July 2009	50,000	0.40	2.5	50,000
September 2009	200,000	0.40	2.7	200,000
October 2009	50,000	0.48	2.8	50,000
February 2010	150,000	0.40	3.1	150,000
July 2010	800,000	0.25	3.5	800,000
March 2011	350,000	0.45	4.2	175,000
August 2011	150,000	0.40	4.7	37,500
	3,400,000	0.30	2.5	3,112,500
Weighted average exercise price ($)				0.29

10. MANAGEMENT AND ADMINISTRATION EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Salaries and benefits	**110,124**	102,824
Consulting fees	**629,965**	455,135
Bonuses (1)	**740,000**	-
Investor relations and travel	**530,630**	241,737
Share-based payments	**155,945**	207,331
Office	**111,110**	121,108
Professional fees	**128,990**	101,723
Regional office – Mexico	**5,394**	32,885
Reporting issuer costs	**51,026**	50,097
Depreciation	**5,552**	6,652
Loss on foreign exchange	**68,934**	10,874
	2,537,670	1,330,366

(1) Includes an amount of $300,000 paid in units of the Corporation in March 2011 (Note 8 iv)) and an amount of $270,000 paid in units of the Corporation after the reporting date (Note 18).

December 31, 2011 (in Canadian dollars)

11. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Loss before income tax	**(2,954,681)**	(1,422,159)
Tax using the Corporation's domestic tax rate of 28.4% (29.90% in 2010)	**(839,129)**	(425,226)
Stock-based remuneration	**44,288**	61,992
Effect of tax rate in foreign jurisdictions	**(3,078)**	(5,000)
Non-deductible expenses	**67,000**	63,000
Impact of change in exchange and income tax rate on deferred income tax variance	**64,926**	54,000
Unrecognized tax assets	**656,405**	317,000
Other	**(4,412)**	(33,766)
Deferred income tax	**(14,000)**	32,000

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

	December 31, 2011	December 31, 2010
	$	$
Non-capital loss carry-forwards	**5,173,253**	3,306,468
Plant and equipment	**116,232**	96,644
Share issue costs	**519,502**	420,016
	5,808,987	3,823,128

December 31, 2011 (in Canadian dollars)

11. INCOME TAXES (continued)

Recognised deferred tax assets and liabilities are as follows:

	December 31, 2011	December 31, 2010
	$	$
Property and equipment	**60,000**	35,000
Non capital losses	**25,000**	24,000
Exploration and evaluation assets	**(217,000)**	(205,000)
	(132,000)	(146,000)

Non-capital losses expire as follows:

	Canada
	$
2027	**1,000**
2028	**368,832**
2029	**846,067**
2030	**1,311,851**
2031	**2,057,000**
	4,584,750

12. CAPITAL MANAGEMENT

The Corporation defines capital that it manages as equity and debentures. When managing capital, the Corporation's objectives are a) to ensure the Corporation continues as a going concern; b) to increase the value of the Corporation's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration and evaluation projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and evaluation 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, 2011, capital was $10,281,304 ($6,113,040 at December 31, 2010 and $2,976,931 at January 1, 2010). 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, 2011.

13. 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, 2011.

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

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Corporation's financial assets exposed to credit risk are primarily composed of cash and cash equivalents and restricted short-term investment. The Corporation's cash and cash equivalents and restricted short-term investment is held with large financial institutions, with most of the Corporation's cash and cash equivalents held with a Canadian-based financial institution. Therefore, credit risk is not considered significant.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's liquidity and operating results may be adversely affected if the Corporation's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. All of the Corporation's financial liabilities have contractual maturities of less than 3 months and are subject to normal trade conditions except for the debentures which mature on December 31, 2013.The Corporation generates cash flow primarily from its financing activities. At December 31, 2011, the Corporation does not have sufficient funds to settle its liabilities and commitments for the next 12 months. The Corporation must achieve new financings to continue the exploration and evaluation projects, to cover general and administration expenses and to meet its commitments (Note 15). As at December 31, 2011, the Corporation's working capital totals $667,769 ($188,516 at December 31, 2010 and $71,780 at January 1, 2010). Current liabilities of $1,314,845 ($246,234 at December 31, 2010 and $420,234 at January 1, 2010) are due within the next 3 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*).

13. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

In the normal course of operations, the Corporation is exposed to currency risk due to business transactions in foreign countries denominated in a currency other than the functional currency being the Canadian dollar for all the entities within the consolidated group (Note 3). 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 ("MAD") and Mexican pesos ("Pesos"). Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are as follows:

December 31, 2011	Dirham	Pesos	Total ($)
Cash and cash equivalents	4,292	177	4,469
Accounts payables and accrued liabilities	(79,810)	(2,364)	(82,174)
Balance of purchase price payable	(593,500)	-	(593,500)
	(669,018)	**(2,187)**	**(671,205)**

The impact on comprehensive loss of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances at December 31, 2011 would be approximately $67,000.

All operating expenses recorded in the consolidated statement of comprehensive loss for the year ended December 31, 2011 were denominated in Canadian dollars with the exception of $147,485 (1,206,918 dirham) and $5,394 (67,650 pesos).

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 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. The restricted short-term investments bear interest at a variable rate and the Corporation is, therefore, not exposed to the risk of changes in fair value resulting from interest rate fluctuations. As at December 31, 2011 cash and cash equivalents included an amount of $5,735 ($5,786 at December 31, 2010 and $5,681 at January 1, 2010) in a guaranteed investment certificate, redeemable at any time, without penalty, bearing interest at a variable rate. The Corporation's other financial assets and current liabilities do not comprise any interest rate risk since they do not bear interest. The sensitivity of the Corporation to a variation of 1% in interest rates would not have a significant impact.

The debentures bear interest at a fixed rate of 5% and mature on December 31, 2013. Since the financing of the debentures was completed in November 2011, the Corporation is not exposed to significant risk of change in fair value resulting from interest rate fluctuation as at December 31, 2011.

December 31, 2011 (in Canadian dollars)

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments

The carrying value of cash and cash equivalents, restricted short-term investment, accounts payable and accrued liabilities and balance of purchase price payable are considered to be a reasonable approximation of fair their value because of the short-term maturity and contractual terms of these instruments.

Since the debentures were issued in November 2011, its principal amount approximates its fair value.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	December 31, 2011	December 31, 2010
	$	$
Changes in working capital items		
Sales taxes receivable	**(17,732)**	5,878
Prepaid expenses	**24,721**	18,083
Accounts payable and accrued liabilities	**395,301**	(117,181)
	402,290	(93,220)
Finance income received, included in operating activities	**392**	708
Non-cash transactions		
Exploration and evaluation assets included in accounts payable and accruals	**79,810**	137,073
Balance of purchase price payable – addition to rights on mining property	**593,500**	-
Shares issued for the acquisition of right on mining properties	**797,223**	180,000
Units issued in lieu of bonus payment	**300,000**	-
Share issue expenses – broker warrants and agent options	**64,478**	29,871
Units issued in lieu of director fees	**-**	28,150
Depreciation included in exploration and evaluation assets	**100,815**	105,594

December 31, 2011 (in Canadian dollars)

15. COMMITMENTS

Lease agreement

As at December 31, 2011, the Corporation had a commitment under the terms of a lease for office premises ending in May 2015 of $105,924.

The total commitments for the next five years are as follows:

	$
2012	30,264
2013	30,264
2014	30,264
2015	15,132
	105,924

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.

16. RELATED PARTY TRANSACTIONS

In the normal course of operations, for the year ended December 31, 2011 and 2010:

- A firm, of which a director of the Corporation is a partner, charged professional fees amounting to $15,376 recorded as professional fees and $17,121 as share issue expenses. ($23,040 in 2010, of which $360 was recorded as share issue expenses, $18,922 as professional fees and $3,758 as office expenses);

- A company controlled by a director, who is also an officer of the Corporation, charged fees of $12,000 recorded as general exploration and evaluation expenses and $8,885 as consulting fees (nil in 2010);

- A company controlled by an officer, who is also a director of the Corporation, charged consulting fees of $292,975 ($247,585 in 2010);

- A company controlled by an officer charged professional fees of $23,141 recorded as professional fees ($22,360 in 2010 recorded as consulting fees and $1,779 as share issue expenses);

- Glowat SARL ("Glowat"), a Moroccan private company owned by a party related to an officer who is also director of the Corporation, charged as part of a project management agreement, management and service fees of $82,061 which were capitalized to exploration and evaluation assets ($30,994 in 2010).

- An officer who is also a director of the Corporation received, as bonus payment, 666,666 units at $0.45 per unit for a total consideration of $300,000, as part of the private placement of units completed in March 2011 (nil in 2010) (Note 8 iv));

- In 2010, 112,600 units at $ 0.25 for a total consideration of $28,150 were issued in lieu of director fees.

During the year ended December 31, 2011, the Corporation advanced $2,210,000 to Glowat for the acquisition of mining rights and exploration and evaluation work ($1,030,000 in 2010). As at December 31, 2011, the remaining advances amounted to $245,806 ($646,074 as at December 31, 2010) which is included in exploration and evaluation assets.

As at December 31, 2011 the balance due to the related parties amounted to $19,505 ($11,280 in 2010). This amount is subject to the same conditions as those of non related parties.

December 31, 2011 (in Canadian dollars)

16. RELATED PARTY TRANSACTIONS (continued)

Remuneration of key management personnel of the Corporation

The remuneration awarded to key management personnel, including all directors and officers, is as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	$	$
Director fees	**33,637**	30,508
Consulting fees	**506,157**	423,190
Bonuses	**675,000**	-
Stock-based payments	**134,156**	116,860
	1,348,950	570,558

17. CONVERSION TO IFRS

First-time adoption of IFRS – exemptions applied

IFRS 1, which governs the first-time adoption of IFRS, generally requires accounting policies to be applied retrospectively to determine the opening consolidated statement of financial position on the Corporation's Transition Date. However, IFRS 1 also dictates certain mandatory exceptions and allows certain optional exemptions from full retrospective application on the transition to IFRS.

The Corporation has elected to apply the following exemption:

Apply IFRS 3 *Business Combinations* prospectively from the Transition Date, therefore the application of the exemption had no impact on the consolidated financial statements.

December 31, 2011 (in Canadian dollars)

17. CONVERSION TO IFRS (continued)

Changes to accounting policies resulting from the conversion to IFRS

The Corporation has changed certain accounting policies to be consistent with IFRS as effective on December 31, 2011, the Corporation's first annual IFRS reporting date. The impact of the changes to accounting policies on the recognition and measurement of assets, liabilities, equity, revenue and expenses within the Corporation's consolidated financial statements are presented below.

The following summarizes the significant changes to the Corporation's accounting policies on adoption of IFRS.

i) Deferred income taxes

IFRS specifically required the recognition of deferred taxes arising on the temporary difference created by the change in foreign exchange rates of assets and liabilities accounted for at their historical costs while Canadian GAAP did not require the recognition of the future tax on these temporary differences. As a result the deferred income tax liability and the deferred income tax expense were increased by $47,000 at December 31, 2010. The changes to accounting policies had no impact on the recognition and measurement of assets, liabilities, equity, revenue and expenses within the Corporation's consolidated financial statements as at January 1, 2010.

Reconciliation of Equity

	December 31, 2010	January 1, 2010
	$	$
Total equity under previous Canadian GAAP	6,160,040	2,976,931
Effect of IFRS adjustment	(47,000)	-
Total equity under IFRS	6,113,040	2,976,931

December 31, 2011 (in Canadian dollars)

17. CONVERSION TO IFRS (continued)

Reconciliation of the Consolidated Statement of Financial Position

As at December 31, 2010	As previously reported	Effect of transition to IFRS	IFRS
	$	$	$
ASSETS			
Current			
Cash and cash equivalent	350,568	-	350,568
Sales tax receivable	27,230	-	27,230
Prepaid expenses	56,952	-	56,952
	434,750	-	434,750
Non-current			
Restricted short-term investment	20,000	-	20,000
Property and equipment	484,032	-	484,032
Exploration and evaluation assets	5,566,492	-	5,566,492
TOTAL ASSETS	6,505,274	-	6,505,274
LIABILITIES			
Current			
Accounts payable and accrued liabilities	246,234	-	246,234
Non-current			
Deferred income tax liabilities	99,000	47,000	146,000
TOTAL LIABILITIES	345,234	47,000	392,234
EQUITY			
Share capital	8,939,112	-	8,939,112
Share purchase warrants and agent options	1,589,413	-	1,589,413
Share purchase options	373,618	-	373,618
Contributed surplus	209,287	-	209,287
Deficit	(4,951,390)	(47,000)	(4,998,390)
TOTAL EQUITY	6,160,040	(47,000)	6,113,040
TOTAL LIABILITIES AND EQUITY	6,505,274	-	6,505,274

December 31, 2011 (in Canadian dollars)

17. CONVERSION TO IFRS (continued)

Reconciliation of comprehensive loss

	Year ended December 31, 2010
	$
Comprehensive loss under previous Canadian GAAP	(1,407,159)
Effect of IFRS adjustments	(47,000)
Comprehensive loss under IFRS	(1,454,159)

(1) Certain amounts have been reclassified to comply with the presentation adopted for the year ended December 31, 2011.

Reconciliation of the Consolidated Statement of Cash Flows

The changes in accounting policies resulting from the Corporation's adoption of IFRS had no impact on the consolidated statement of cash flows for the year ended December 31, 2010.

18. EVENTS AFTER THE REPORTING DATE

Private placement and non-convertible debentures

On February 13, 2012 and April 5, 2012, the Corporation announced the closing of non-brokered private placements and issued 24 units at a price of $70,000 per unit, for total cash proceeds of $1,470,000 and the settlement of a bonus payment of $210,000 due to a director and officer of the Corporation. Each unit consists of 300,000 common shares and 150,000 common share purchase warrants. Each warrant entitles the holder thereof to purchase one common share of the Corporation at an exercise price of $0.70 per common share until December 31, 2013. The warrants are subject to an accelerated expiry if, following the hold period of four months and one day from the closing date of the private placement, the weighted average trading price (as such term is defined in the TSXV Exchange Policies) of the common shares of the Corporation is equal to or greater than $1.00 for any 20 consecutive trading days. In that event, the holder will be given notice that the warrants will expire within 30 days following the date of such notice. The warrants may be exercised by the holder during the 30-day period between the notice and the accelerated expiry date of the warrants. In connection with the private placements, finders' fees totaling $57,900 were paid by the Corporation to arm's length parties.

The Corporation also completed financings of non-convertible debentures in a total principal amount of $480,000, including an amount of $60,000 as settlement of a bonus payment due to a director and officer of the Corporation, based on the same terms as the debentures issued in 2011, which detail is included in Note 7. The Debentures will mature on December 31, 2013.

In connection with the private placement closed on February 13, 2012, the Corporation issued 90,000 broker warrants, at an exercise price of $0.35 per common share, exercisable at any time on or before December 31, 2013.

Azegour property

In March 2012, the Corporation paid to the vendor the final tranche of $593,500 related to the acquisition of the Azegour property.

Deposit

In February 2012, the Corporation paid an amount of approximately $2.4 million (20,000,000 dirham) as a deposit towards the acquisition of a mineral property in Morocco.

Stock Option Plan

On April 5, 2012, the Board of Directors approved, subject to regulatory approval, an increase in the number of common shares reserved for issuance under the Corporation's fixed number stock option plan (the "Plan") from 4,000,000 to 7,000,000.

On April 5, 2012, the Board of Directors approved the grant, subject to regulatory approval, of a total of 1,560,000 options to purchase common shares to officers, directors, employees and consultants. All options have an exercise price of $0.35 per common share and an exercise period of five years.