Raymond Chabot
Grant Thornton

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

To the Shareholders of
Aya Gold & Silver Inc.

Opinion

We have audited the consolidated financial statements of Aya Gold & Silver Inc. (formerly Maya Gold and Silver Inc.) (hereafter "the Corporation"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment for impairment of property, plant and equipment related to the Zgounder mine

As described in Notes 2 and 6 to the consolidated financial statements, management reviews its non-financial assets for an indication of impairment at each consolidated statement of financial position date or when a triggering event is identified. If an indication of impairment exists, an estimate of the recoverable amount of such assets is calculated. For the year ended December 31, 2020, the Corporation did not identify impairment indicators related to the Zgounder mine-related property, plant and equipment and did not perform an impairment test. We identified the Corporation's assessment for impairment of property, plant and equipment related to the Zgounder mine as a key audit matter.

Why the matter was determined to be a key audit matter

This assessment for impairment of the Zgounder mine-related property, plant and equipment was significant to our audit because the balance of the property, plant and equipment related to the Zgounder mine of $21,284,243 as at December 31, 2020 is material to the consolidated financial statements. In addition, management's assessment process is highly subjective and led to significant audit effort and subjectivity in performing procedures to test management's assessment.

How the matter was addressed in the audit

Our audit procedures related to the Corporation's assessment for impairment indicators of the Zgounder mine-related property, plant and equipment included, among others, the following:

- We assessed management's process for determining whether an impairment indicator occurred;
- We assessed the completeness of internal and external factors that could be considered as impairment indicators. For this purpose, we considered potential changes in the environment, including the price of silver and foreign exchange rates. We also considered the Corporation's market capitalization relative to its net assets;
- We compared the quantitative and qualitative information from management's assessment with evidence obtained in other areas of the audit and with information made available to analysts and investors.

Assessment for impairment of exploration and evaluation assets

As described in Note 2 to the consolidated financial statements, exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Corporation performs an impairment test. We identified the Corporation's assessment for impairment of exploration and evaluation assets as a key audit matter.

Why the matter was determined to be a key audit matter

This assessment for impairment of exploration and evaluation assets was significant to our audit because the balance of exploration and evaluation assets of $8,589,398 as at December 31, 2020 is material to the consolidated financial statements. In addition, management's assessment process is highly subjective and is based on assumptions, specifically, but not limited to:

– The intention of management to maintain in good standing its mining rights and to perform further exploration and evaluation work in the future;

– The budgeted expenditures on the exploration properties;

– The results of past exploration work and the potential to discover commercially viable quantities of mineral on the projects;

– The possibility that, although additional exploration programs on the properties is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale, which is affected by expected future market or economic conditions, particularly those in Morocco, giving rise to high uncertainty.

How the matter was addressed in the audit

Our audit procedures related to the Corporation's assessment for impairment of exploration and evaluation assets included, among others, the following:

– We assessed management's process for determining whether an impairment indicator occurred;

– We inspected documentation related to the Corporation's validity of mining rights for its exploration properties and legal opinions related to the Corporation's ownership;

– We reviewed the Corporation's exploration and evaluation budgets and plans for the next years to evaluate management's intention to perform further exploration and evaluation work.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Karine Desrochers.

Raymond Chabot Grant Thornton LLP[1]

Montréal
March 25, 2021

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

GOLD & SILVER

(Formerly Maya Gold & Silver Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
("Financial Statements")

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1320 Boulevard Graham, suite 132, Mont-Royal, Québec, Canada H3P 3C8
Email : info@ayagoldsilver.com | www.ayagoldsilver.com

Management's Responsibilities over Financial Reporting

The Financial Statements of Aya Gold & Silver Inc. (the "Corporation" or "Aya") (formerly Maya Gold and Silver Inc.) are the responsibility of the Corporation's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC") and reflect management's best estimates and judgment based on information currently available.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited. The consolidated financial statements for the year ended December 31, 2019 have been audited by the Corporation's auditors.

Aya Gold & Silver Inc. (formerly Maya Gold and Silver Inc.)

Consolidated Statements of Financial Position

(in United States dollars)

	December 31, 2020	December 31, 2019
	$	$
ASSETS		
Current		
Cash and cash equivalents	**30,533,399**	16,621,291
Accounts receivable	**4,458,337**	1,203,634
Sales taxes receivable	**1,799,148**	929,706
Inventories (Note 4)	**1,723,948**	2,241,272
Prepaid expenses and security deposits	**364,038**	39,663
	38,878,870	21,035,566
Non-current		
Restricted cash	**2,758,292**	7,698
Non-refundable deposits to suppliers	**46,480**	298,222
Property, plant and equipment (Note 5)	**21,802,525**	20,166,918
Exploration and evaluation assets (Note 6)	**8,589,398**	6,652,763
TOTAL ASSETS	**72,075,565**	48,161,167
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**5,358,262**	3,684,211
Options contracts (Note 20)	**128,723**	-
Interest and net profit interest payable to a related party (Note 23)	**195,133**	191,423
Current portion of balance of purchase price payable (Note 7)	**-**	1,547,415
Income Tax payable (Note 17)	**540,767**	-
Current portion of lease liabilities (Note 8)	**134,102**	56,996
	6,356,987	5,480,045
Non-current		
Lease liabilities (Note 8)	**182,224**	20,978
Balance of purchase price payable (Note 7)	**1,238,141**	-
Asset retirement obligations (Note 9)	**1,222,335**	1,129,012
Deferred income tax (Note 17)	**1,149,810**	648,695
TOTAL LIABILITIES	**10,149,497**	7,278,730
EQUITY		
Share capital (Note 10)	**95,513,459**	79,158,411
Share purchase options (Note 12)	**4,037,000**	1,167,349
Contributed surplus	**12,118,512**	7,640,353
Deficit	**(48,487,280)**	(43,799,620)
Accumulated other comprehensive loss	**(2,147,399)**	(3,678,543)
	61,034,292	40,487,950
Non-controlling interests	**891,776**	394,487
TOTAL EQUITY	**61,926,068**	40,882,437
TOTAL LIABILITIES AND EQUITY	**72,075,565**	48,161,167

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

On behalf of the Board,

Benoit La Salle /s/
President, CEO, Director

Yves Grou /s/
Director

Aya Gold & Silver Inc. (formerly Maya Gold and Silver Inc.)

Consolidated Statements of Comprehensive Income (Loss)

(in United States dollars)

	Year ended December 31, 2020	2019
Revenue from silver sales (Note 14)	**13,822,709**	6,081,400
Cost of sales (Note 15)	**9,779,055**	4,943,918
Net profit interest to a related party (Notes 23 & 24)	**-**	203,219
Gross margin	**4,043,654**	934,263
Expenses		
Management and administration (Note 16)	**2,511,131**	670,507
Share-based compensation (Note 12)	**2,916,399**	-
Investor relations and corporate development	**308,453**	130,020
(Gain) loss on foreign exchange	**(859,497)**	90,815
	4,876,486	891,342
Operating income (loss) for the year	**(832,832)**	42,921
Net finance (income) (Note 16)	**(403,918)**	(59,214)
Other expenses	**413,136**	-
Income (loss) before income taxes	**(842,050)**	102,135
Income tax expense (Note 17)	**937,540**	678,648
Net Loss for the year	**(1,779,590)**	(576,513)
Net income (loss) attributable to		
Equity holders of Aya Gold & Silver Inc.	**(2,284,355)**	(659,115)
Non-controlling interests	**504,765**	82,602
Net loss	**(1,779,590)**	(576,513)
Other comprehensive income (loss)		
Items that will subsequently be reclassified to net income (loss):		
Foreign currency translation adjustment	**1,523,668**	1,377,722
Comprehensive income (loss) for the year	**(255,922)**	801,209
Basic income (loss) per common share for the year (Note 22)	**(0.021)**	(0.007)
Diluted income (loss) per common share for the year (Note 22)	**(0.021)**	(0.007)
Weighted average number of shares - basic (Note 22)	**83,690,945**	79,603,320
Weighted average number of shares – diluted (Note 22)	**83,690,945**	79,603,320

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

Aya Gold & Silver Inc. (formerly Maya Gold and Silver Inc.)

Consolidated Statements of Changes in Equity

(in United States dollars)

	Number of issued and outstanding shares	Share capital	Share purchase options	Contributed surplus	Deficit attributable to equity holders of Aya Gold & Silver Inc.	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
		$	$	$	$	$	$	$
Balance as at December 31, 2019	**79,603,320**	**79,158,411**	**1,167,349**	**7,640,353**	**(43,799,620)**	**(3,678,543)**	**394,487**	**40,882,437**
Share issue costs	150,000	219,888	-	-	(1,802,513)	-	-	(1,582,625)
Repurchase of common shares (Note 10)	(59,701)	(43,376)	-	-	(7,313)	-	-	(50,689)
Issuance of units as part of a private offering (Note 10)	12,488,095	16,178,536	-	3,837,932	-	-	-	20,016,468
Issuance of broker warrants (Note 10)	-	-	-	593,479	(593,479)	-	-	-
Share purchase options expired	-	-	(46,748)	46,748	-	-	-	-
Share-based compensation (Note 12)	-	-	2,916,399	-	-	-	-	2,916,399
	92,181,714	95,513,459	4,037,000	12,118,512	(46,202,925)	(3,678,543)	394,487	62,181,990
Net (loss) for the year	**-**	**-**	**-**	**-**	**(2,284,355)**	**-**	**504,765**	**(1,779,590)**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,531,144**	**(7,476)**	**1,523,668**
Comprehensive income (loss) for the year	**-**	**-**	**-**	**-**	**(2,284,355)**	**1,531,144**	**497,289**	**(255,922)**
Balance as at December 31, 2020	**92,181,714**	**95,513,459**	**4,037,000**	**12,118,512**	**(48,487,280)**	**(2,147,399)**	**891,776**	**61,926,068**
Balance as at December 31, 2018	78,356,675	78,439,692	1,367,349	7,537,090	(43,100,352)	(5,056,265)	-	39,187,514
Warrants exercised	1,300,000	771,776	-	(96,737)	-	-	-	675,039
Repurchase of common shares (Note 10)	(53,355)	(53,057)	-	-	(40,153)	-	-	(93,210)
Share purchase options expired	-	-	(200,000)	200,000	-	-	-	-
Initial recognition of non-controlling interest	-	-	-	-	-	-	311,885	311,885
Net income for the year	-	-	-	-	(659,115)	-	82,602	(576,513)
Other comprehensive income	-	-	-	-	-	1,377,722	-	1,377,722
Comprehensive income for the year	-	-	-	-	(659,115)	1,377,722	82,602	801,209
Balance as at December 31, 2019	79,603,320	79,158,411	1,167,349	7,640,353	(43,799,620)	(3,678,543)	394,487	40,882,437

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

Aya Gold & Silver Inc. (formerly Maya Gold and Silver Inc.)

Consolidated Statements of Cash Flows

(Audited, in United States dollars)

	Year ended December 31, 2020	2019
Cash flows provided by (used in)	**$**	$
OPERATING ACTIVITIES		
Net (loss) income for the year	**(1,779,590)**	(576,513)
Adjustments for non-cash items		
Share-based compensation (Note 12)	**2,916,399**	-
Amortization of property, plant & equipment (Note 5)	**2,206,423**	1,602,447
Accretion expense (Note 16)	**140,693**	254,537
Fair value adjustment on FX contracts	**47,143**	-
Unrealized gain (loss) on foreign exchange	**(802,058)**	358,621
Gain on debt extinguishment (Note 7)	**(520,452)**	-
Deferred income taxes expense	**416,830**	648,695
Changes in working capital items (Note 21)	**(1,347,195)**	1,286,749
	1,278,193	3,574,536
INVESTING ACTIVITIES		
Net change in restricted cash	**(2,615,365)**	-
Options contracts	**75,258**	
Acquisition of property, plant and equipment	**(2,218,724)**	(4,998,051)
Acquisition of exploration and evaluation assets	**(1,719,333)**	(1,127,821)
	(6,478,164)	(6,125,872)
FINANCING ACTIVITIES		
Issuance of units as part of a private offering (Note 10)	**20,016,468**	-
Share issue costs (Note 10)	**(1,582,625)**	-
Repayment of balance of purchase price payable (Note 7)	-	(1,040,910)
Repayment of lease liabilities (Note 8)	**(93,176)**	(143,302)
Proceeds from exercise of warrants	-	675,039
Repurchase of common shares (Note 10)	**(50,689)**	(93,210)
	18,289,978	(602,383)
Effect of exchange rate changes on cash in foreign currencies	**822,101**	774,847
Net change in cash and cash equivalents	**13,912,108**	(2,378,872)
Cash and cash equivalents, beginning of year	**16,621,291**	19,000,163
Cash and cash equivalents, end of year	**30,533,399**	16,621,291

Supplemental cash flow information (Note 21)

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

1. GENERAL INFORMATION

Aya Gold & Silver Inc. (the "Corporation or "Aya") (formerly Maya Gold and Silver Inc.) is a Canadian based precious metals mining company which focuses on the exploration, development, production and acquisition of precious metals mining projects. The Corporation is concentrated on producing silver and exploration activities at its flagship project, the Zgounder property. Aya owns 85% of Zgounder Millennium Silver Mine S.A ("ZMSM"), which owns the Zgounder property. The Corporation also owns 85% of the Boumadine polymetallic project and owns the permits related to the Amizmiz, Azegour and Imiter Bis properties. All of these properties are located in the Kingdom of Morocco. Aya's registered office is located at 1320 boulevard Graham, suite 132, Mont-Royal, Quebec, Canada, H3P 3C8. The Corporation changed its name from Maya Gold & Silver Inc. to Aya Gold & Silver inc. during the year in a rebranding effort directed by management.

Aya is incorporated under the Canada Business Corporations Act; its financial year-end is December 31 and trades on the Toronto Stock Exchange under the symbol "AYA". In January 2019, commercial production of the first phase of the Zgounder project was declared by the Corporation. All projects other than the Zgounder project are at exploration and evaluation stage.

As part of the worldwide effort to fight the spread of the COVID-19 virus, Aya has taken all necessary and recommended best practices to respond dynamically and proactively to this threat. The Corporation is therefore taking proactive measures to abide by rules and recommendations in the jurisdictions in which it operates or has personnel. As a result, like many other businesses, Aya is adapting procedures to ensure continued development of its operations is minimally impacted. The Company has educated employees about COVID-19 symptoms, best practices to avoid contracting and spreading the virus, and procedures to follow if symptoms are experienced.

The Corporation's long-term business could be significantly adversely affected by the effects of the COVID-19 pandemic. The Corporation cannot accurately predict the impact of COVID-19 due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of the COVID-19 virus globally could materially and adversely impact the Corporation's business including and without limitation, employee health, limitations on travel, the availability of industry experts and personnel, on-going restrictions to mining and processing operations and drill programs, and other factors that will depend on future developments beyond the Corporation's control. In addition, the COVID-19 virus could adversely affect the economies and financial markets of many countries (including those in which the Corporation operates), resulting in an economic downturn that could negatively impact the Corporation's operating results and ability to raise capital. As of December 31, 2020, the Company held $30.5 million in cash and cash equivalents and $32.5 million in working capital, the COVID-19 global pandemic is dynamic and given COVID-19 virus cases continue to rise at a significant rate across Morocco and globally, any future restrictions could have a material effect on the Company's financial position. Management believes there is sufficient working capital to meet the Company's current obligations, however the ultimate duration and severity of the COVID-19 pandemic is uncertain and could impact the financial liquidity of the Company if the pandemic would persist for another 12+ months. The Company may be required to raise additional funds through future debt or equity financings to carry out its business plans.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

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

Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2020. IFRS included IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The Corporation has consistently applied the accounting policies used in the preparation of its IFRS consolidated financial statements, including the comparative figures.

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

The Board of directors approved and authorized for issue these consolidated financial statements, effective March 25, 2021.

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

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

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

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

Consolidation, functional and presentation currency

These consolidated financial statements include the accounts of Aya and its subsidiaries. Subsidiaries are all entities over which the Corporation has control. The Corporation controls an entity when it has power over the entity, when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns. These consolidated financial statements include the accounts of Aya and its subsidiaries as follows:

Subsidiary	**Registered**	**Ownership and voting Right**	**Principal activity**	**Functional Currency**
Compagnie Minière Maya-Maroc S.A. ("CMMM")	Morocco	100%	Exploration	Moroccan dirham
Zgounder Millennium Silver Mining S.A. ("ZMSM")	Morocco	85%	Production	Moroccan dirham
Boumadine Global Mining S.A. ("BGM")	Morocco	85%	Exploration	Moroccan dirham
Atlas Gold & Silver S.A.R.L.("AGS")	Morocco	100%	Exploration	Moroccan dirham

Subsidiaries are fully consolidated from the date on which control is transferred to Aya and are de-consolidated from the date that control ceases. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Where the Corporation's interest in a subsidiary is less than 100%, the Corporation recognizes non-controlling interests.

The functional currency of Aya is the Canadian dollar. The functional currency of the Corporation and its subsidiaries has remained unchanged during the reporting period. The Corporation's reporting currency is the US dollar.

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

Foreign currency

Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date into the respective Corporation's entity currency, whereas non-monetary assets and liabilities denominated in a foreign currency are translated into the respective Corporation's entity at the exchange rate in effect at the transaction date. Revenue and expenses denominated in a foreign currency are translated at the average rate in effect during the year except for depreciation that is translated at the historical rate. Gain and losses on exchange arising from the translation of foreign operations are recorded in the consolidated statements of comprehensive income (loss).

Foreign operations

On consolidation, assets and liabilities of the subsidiaries that have a functional currency other than the US dollar are translated into US dollars on consolidation at the exchange rate in effect on the consolidated statement of Financial Position date and revenues and expenses are translated at the average rate over the reporting year. Gains and losses from these translations are recognized in other comprehensive (loss) income. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash balances held with banks and brokers and highly liquid short-term investments with terms of three months or less. Cash and cash equivalents unavailable for use by the Corporation's or its subsidiaries due to certain restrictions that may be in place are classified as restricted cash.

Inventories

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

Property, plant and equipment

Property, plant and equipment ("PP&E") are carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

When a mining project reaches the development phase, exploration and evaluation expenditures are capitalized to mining assets under development. The development expenditures are capitalized net of net proceeds from sale of ore extracted during the development phase. Capitalized costs, including mineral property acquisition costs, mine development and construction costs, are not depreciated until the time at which the related mining property has reached a pre-determined level of operating capacity intended by management.

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

Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management including:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at or near nameplate capacity;
- mineral recoveries are at or near the expected level; and
- the completion of a reasonable period of testing of the mine plant and equipment.

Upon reaching the commercial production stage, costs are transferred from mining assets under development into the appropriate asset classes and depreciation commences. Once in the production stage, metal sales are recognized as revenue and production costs as a component of mine operating costs.

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

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

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

Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the year in which they are incurred unless the PP&E are used in mineral properties under development for which the costs are capitalized in the mining assets under development.

The carrying amount of an item of PP&E is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of PP&E is included in profit or loss when the item is derecognized.

Exploration and evaluation assets

Exploration and evaluation assets ("E&E") are comprised of rights on mining properties or options to acquire undivided interests in mining rights, deferred exploration and evaluation expenses and mining properties. Once the legal right to explore has been acquired, they are recorded on a property-by-property at their acquisition cost or at their recoverable amount being the higher of their fair value less cost to sell or their value in use following a devaluation caused by an impairment of value. Expenditures incurred prior to securing the legal rights to explore an area are expensed immediately.

E&E costs typically consider prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures also include overhead expenses directly attributable to the related activities.

Upon determination of the technical feasibility and commercial viability of extracting a mineral resource, the Corporation performs an impairment test, based on the recoverable amount, prior to reclassification of E&E to PP&E under Mining assets

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

under development in accordance with IFRS 6, Exploration for and evaluation of Mineral Resources. The demonstration of the technical feasibility and commercial viability, and its approval by the Board of Directors, are the key points at which the Corporation determines that it will develop the project.

Proceeds on the sale of interests in exploration properties are applied to reduce the related carrying costs; any excess is reflected as a gain in the consolidated statement of comprehensive income (loss). Losses on partial sales are recognized and reflected in the consolidated statement of comprehensive income (loss). Whenever a mining property is considered no longer viable or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss.

Impairment of non-financial assets

At the end of each reporting year and when impairment indicators are identified, the Corporation reviews the carrying amounts of its non-financial assets which are composed of property, plant and equipment and exploration and evaluation assets, to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit.

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

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

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

Provisions

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

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

- the Corporation has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation;
- the amount can be reliably estimated.

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

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

Provision for asset retirement obligations represents the legal and constructive obligations associated with the eventual dismantling of the Corporation's buildings and equipment related to mining production. These obligations consist of costs associated with the removal of tangible assets.

The discount rate used is based on a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation, excluding the risks for which future cash flow estimates have already been adjusted. The schedule of expenditures was determined by taking into account the proven and probable reserves and the estimated annual production level.

Post-employment benefits and short-term employee benefits

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

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

Income taxes

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

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

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

Share capital and warrants

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

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

Share-based payment transactions

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

Share issue expenses

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

Other elements of equity

Accumulated other comprehensive income (loss) includes the impact of converting the accounts of Aya and the Corporation's foreign subsidiaries into US dollars. Contributed surplus includes charges related to share purchase options expired, warrants and amounts allocated to the equity component of convertible debentures when the conversion option expired. Deficit includes all current and prior year retained profits or losses.

Income (loss) per share

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

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

Revenue recognition

The principal activity from which the Corporation generates its revenue is the sale of silver to third parties. Revenue is measured based on the consideration specified in the contract with the customer. Revenue of sales of silver ingots is recognized at a point of time when the Corporation transfers control of a product to the customer, which generally occurs when the customer confirms acceptance of the precious metals. Revenue of silver concentrate is recognized at a point of time when the Corporation transfers control of a product to the customer, which generally occurs when the silver concentrate is transferred to the ship transporting the product.

Financial assets and liabilities

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are measured initially at fair value. If the financial asset or liability is not subsequently

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

accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's or liability's acquisition or origination. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expired.

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. At initial recognition, the Corporation classifies its financial instruments in the following categories depending by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset:

Financial assets and liabilities	Classification
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Options contracts	Fair value through profit and loss
Accounts payable and accrued liabilities (except salaries and employee benefits)	Amortized cost
Interest and net profit interest payable to a related party	Amortized cost
Balance of purchase price payable	Amortized cost

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

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interests. These assets are subsequently measured at amortized cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. Discounting is omitted where the effect of discounting is immaterial.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest method.

Options contracts at fair value through profit and loss

Options contracts are measured at fair value with changes in fair value going through profit and loss. Assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized as Fair Value Through Profit and Loss ("FVTPL"). Furthermore, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Impairment of financial assets

The Corporation uses the expected credit losses impairment model with respect to its financial assets carried at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

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

The Corporation accounts for the expected credit losses using the simplified approach over the life of trade receivables. Expected credit losses over the life of the asset are expected credit losses for all the default events that a financial instrument may experience over its expected life. The assessment of expected credit losses reflects reasonable and justifiable information about past events, current circumstances and forecasts of events and economic conditions and considers the factors specific to the account receivable, the general condition of the economy and a current as well as expected appreciation of the condition prevailing at the financial position date, including the time value of the money, if any.

New or revised accounting standards or interpretations and modifications to significant accounting policies

Amendments to IFRS 16 Leases

To provide practical relief to lessees in accounting for rent concessions arising as a result of COVID-19 the International Accounting Standards Board ("IASB") proposed an amendment to IFRS 16 which provide lessees with a practical expedient that relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. This amendment did not have a significant impact to the Corporation's financial statements as the Corporation has not received any COVID-19 related rent concessions as of the date of these financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Corporation. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Corporation’s consolidated financial statements.

3. JUDGMENT ESTIMATES AND ASSUMPTIONS

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported year. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Significant estimates and judgments used in applying accounting policies that have most significant effect on the amount recognized in the consolidated financial statements are as follows:

Start of development phase

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

Start of commercial production phase

The Corporation assesses the stage of completion of each mining assets under development to determine when it begins commercial production. This being when the mine is substantially complete and ready for its intended use. The criteria used

3. JUDGMENT ESTIMATES AND ASSUMPTIONS *(continued)*

to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Corporation considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from mining assets under development to mining properties. Some of the criteria used to identify the commercial production start date include, but are not limited to:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at or near nameplate capacity;
- mineral recoveries are at or near the expected levels; and,
- the completion of a reasonable period of testing of the mine plant and equipment.

Basis of depletion of mining sites in production

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

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

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

Income taxes

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

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

Provisions and contingent liabilities

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

Asset retirement obligations

The Corporation's activities are subject to various laws and regulations governing the protection of the environment. The Corporation recognizes management's best estimate for decommissioning and restoration obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes

3. JUDGMENT ESTIMATES AND ASSUMPTIONS *(continued)*

to environmental laws and regulations, timing of cash outflows and discount rates could affect the carrying amount of this provision.

Provision for environmental remediation

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

Impairment of non-financial assets

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

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

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

The Zgounder property is qualified as being in commercial production as of January 1, 2019. It is classified since January 1, 2019, when it reached the commercial production phase, together with all its related assets, under property, plant and equipment, within different categories. Before that date, the Zgounder property was considered in development phase and it was classified with its related assets under the caption "Mining asset under development" of property, plant and equipment. An impairment test was performed as at December 31, 2019, as the Corporation changed its business model to include the sale of concentrated silver. Several assumptions were required such as the expected cash flows, the future price of silver and of the future foreign currency rate of MAD to US dollar and the discount rate.

Key sources of estimation uncertainty

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

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

3. JUDGMENT ESTIMATES AND ASSUMPTIONS *(continued)*

Judgments made in relation to accounting policies

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

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

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

The Corporation plans to execute further development as well as exploration and evaluation activities on its Zgounder property. Management also plans to expand its current factory to increase throughput.

Since the Corporation pursued its exploration work on the Boumadine property during 2019 and 2020 and intends to pursue it in 2021. The Corporation honored the fourth installment payment which was due in December 2018.Given these factors, no impairment indicators were identified with respect to the Boumadine property as at December 31, 2020 and 2019.

The Corporation also realized exploration work on the Azegour property during 2019 and 2020 and intends to pursue it in 2021. No impairment indicators were identified with respect to that property as at December 31, 2020 and 2019.

Going concern

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

Functional currency

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

Leases

Recognizing leases requires judgement and use of estimates and assumptions. Judgement is used to determine whether there is reasonable certainty that a lease extension or cancellation option will be exercised.

December 31, 2020 and 2019 (in United States dollars)

4. INVENTORIES

	December 31, 2020	December 31, 2019
	$	$
Mining supplies	1,109,409	883,458
Silver bars	297,783	58,306
Silver in concentrate	239,302	15,369
Silver in circuit	16,324	285,753
Ore stockpile	61,130	998,386
	1,723,948	**2,241,272**

For the year-ended December 31, 2020, the Corporation recognized $4,558,152 ($4,653,737- 2019) of production costs in the cost of sales.

On January 20th, 2020, the Corporation was victim of a theft of 14,884 ounces of silver ingots (cost of $179,883) from its mine site. The theft has been included in other expenses. Local authorities were notified, and a full report was conducted. Management is currently in discussions with the Corporation's insurer to recover the value of the stolen goods.

5. PROPERTY, PLANT AND EQUIPMENT

The majority of properties, plant and equipment are located in Morocco and are related to the Zgounder mine. As at December 31, 2020, property, plant and equipment include right-of-use assets of $251,499 (December 31, 2019 - $75,258).

During the year ended December 31, 2019, the Corporation began selling silver concentrate. This represented a change in the business model of the mine. As result, the Corporation concluded that an impairment test should be performed as December 31, 2019 for all of the Zgounder mine assets. The recoverable amount of the Zgounder mine was determined using estimated future cash flow projections discounted at an effective interest rate of 20% that reflected current market assessments of the time value of money and the risks specific to these assets.

The assumptions used related to the estimated future cash flows, were based on management's best estimates as at December 31, 2019 and may change significantly in the future, based on potential changes in the silver industry. Based on these measurements, the Corporation concluded that the recoverable amounts of the Zgounder mine was higher than its carrying amounts as at December 31, 2019. As a result, no impairment was recognized.

As at December 31, 2020, the Corporation determined that there were no material events or changes in circumstances indicating that the carrying amount of property, plant and equipment related to the Zgouner mine may not be recoverable. As such, no impairment test was performed.

December 31, 2020 and 2019 (in United States dollars)

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

	Exploration and evaluation equipment	Mining and processing equipment	Mining assets in production	Assets under construction	Mining assets under development	Furniture, mining vehicles, computers	Total
	$	$	$		$	$	$
Cost							
Balance at January 1, 2019	314,406	-	-	-	19,310,698	214,850	19,839,954
Reclassification to exploration and evaluation assets	-	-	-	-	(165,909)	-	(165,909)
Reclassification	-	9,473,294	9,671,495	-	(19,144,789)	-	-
Addition	-	81,806	1,828,931	282,579	-	-	2,193,316
Foreign exchange	15,660	(121,213)	12,771	(339)	-	(1,937)	(95,058)
Balance at December 31, 2019	330,066	9,433,887	11,513,197	282,240	-	212,913	21,772,303
Transfers	-	(1,003,404)	1,098,250	(94,846)	-	-	-
Addition	43,489	119,523	971,448	1,084,264	-	-	2,218,724
Right-of-use assets	-	-	-	-	-	527,165	527,165
Asset retirement obligation	-	77,278	-	-	-	-	77,278
Foreign exchange	(33,964)	652,736	646,258	66,627	-	(187,467)	1,144,190
Balance at December 31, 2020	339,591	9,280,020	14,229,153	1,338,285	-	552,611	25,739,660
Depreciation							
Balance at January 1, 2019	-	-	-	-	-	-	-
Amortization	32,318	646,629	785,680	-	-	137,820	1,602,447
Foreign exchange	689	(476)	2,890	-	-	(165)	2,938
Balance at December 31, 2019	33,007	646,153	788,570	-	-	137,655	1,605,385
Transfers	-	(111,409)	111,409	-	-	-	-
Amortization	22,772	812,787	1,224,962	-	-	145,902	2,206,423
Foreign exchange	70,276	81,886	(44,390)	-	-	17,555	125,327
Balance at December 31, 2020	126,055	1,429,417	2,080,551	-	-	301,112	3,937,135
Carrying amounts							
At December 31, 2019	297,059	8,787,734	10,724,627	282,240	-	75,258	20,166,918
At December 31, 2020	213,536	7,850,603	12,148,602	1,338,285	-	251,499	21,802,525

December 31, 2020 and 2019 (in United States dollars)

6. EXPLORATION AND EVALUATION ASSETS

During the years ended December 31, 2020 and December 31, 2019, changes in exploration and evaluation assets were as follows:

	December 31, 2020	December 31, 2019
	$	$
Rights on mining properties		
Balance, beginning of the year	**3,416,672**	3,254,612
Foreign exchange	**66,219**	162,060
Balance, end of the year	**3,482,891**	3,416,672
Deferred exploration and evaluation expenses		
Balance, beginning of the year	**3,236,091**	1,909,943
Additions		
Geology	**1,319,807**	510,220
Drilling and sampling	**399,526**	617,667
Reclassification from property, plant and equipment	**-**	165,903
Foreign exchange	**151,083**	32,358
Balance, end of the year	**5,106,507**	3,236,091
Total	**8,589,398**	6,652,763

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

Zgounder East & West Zones

The exploration expenditures on the property, totalling $3,279,953 as at December 31, 2020 ($996,968 as at December 31, 2019) were for geology analysis and prospecting and drilling efforts in order to assess mineral reserves on new zones east and west of the actual Zgounder mine.

Boumadine project

The exploration expenditures on the property totalling $5,283,831 as at December 31, 2020 ($5,630,181 as at December 31, 2019) were for the acquisition of rights as well as prospecting and drilling efforts in order to assess mineral reserves.

ONHYM is entitled to receive a 3% royalty on sales from the Boumadine project. In the event where delays in production would be greater than 60 months from the date of approval of the agreement, the Corporation undertakes to pay the seller a delay royalty of 100,000 dirham ($10,406) paid annually until production begins.

Azegour project

The exploration expenditures on the property, totalled $25,614 as at December 31, 2020 ($25,614 as at December 31, 2019). The property is in early-stage exploration and the Corporation will evaluate the asset as more information is gathered on the prospects of the property.

December 31, 2020 and 2019 (in United States dollars)

7. BALANCE OF PURCHASE PRICE PAYABLE

	December 31, 2020	December 31, 2019
	$	$
Balance, beginning of the year	**1,547,415**	2,385,009
Accretion expense	**126,574**	227,684
Gain on debt extinguishment	**(520,452)**	-
Repayments	**-**	(1,040,850)
Foreign exchange	**84,604**	(24,428)
Balance, end of the year	**1,238,141**	1,547,415
Current portion	**-**	1,547,415
Non-current portion	**1,238,141**	-

The Boumadine property is expected to be transferred to Boumadine Global Mining S.A., owned at 85% by the Corporation and 15% by ONHYM during the year ending December 31, 2021. In addition to the balance of purchase price, a non-interest bearing payable in an amount of 15,000,000 MAD ($1,665,825) which relates to past expenses incurred by the seller, became payable when the subsidiary was created. This amount can be applied as a capital contribution of the future subsidiary, at ONHYM's request. On March 26, 2020, the Corporation and ONHYM agreed to postpone payment of the 15,000,000 MAD to a date not before January 2023. As the terms of the extension were significantly different from the original terms, the extension is considered an extinguishment of the balance of purchase price payable.

The balance of purchase price was measured at the date of modification at fair value, based on discounted cash flows using a discount rate of 16%. The difference between the nominal value of the balance of purchase price of $1,547,415 and its fair value of $1,026,963 is recorded as a gain on debt extinguishment. Moreover, due to the amendment of the terms, the balance of purchase price payable was reclassified as a non-current liability.

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).

A 60-month period of time is needed to carry out the proposed work mentioned above. A new company will be created that will be responsible for realizing all work and installations needed to exploit the deposit. As the transfer of the Boumadine property has yet to occur, the timeline has yet to commence.

8. LEASE LIABILITIES

The Corporation leases office space, mining vehicles and dwellings for employees. Theses leases are for a period of one to four years. Certain leases include an option to renew after the end of the contract term and/or provide for payments that are indexed to local inflation rates.

December 31, 2020 and 2019 (in United States dollars)

8. LEASE LIABILITIES *(continued)*

The movement in lease liabilities during the years-ended December 31, 2020 and 2019 is comprised of the following:

	December 31, 2020	December 31, 2019
	$	$
Balance, beginning of the year	**77,974**	214,851
Additions	**308,397**	-
Accretion	**6,862**	8,472
Repayments	**(93,176)**	(143,302)
Foreign exchange (loss) gain	**16,269**	(2,047)
Balance, end of the year	**316,326**	77,974
Current portion	**134,102**	56,996
Long-term portion	**182,224**	20,978

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

	$
2021	146,689
2022	105,145
2023	60,587
2024	27,379
Total minimum payments	339,801

The Corporation's weighted average incremental borrowing rate is 5.24%.

9. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent legal and contractual obligations associated with the eventual dismantling of the Corporation's assets. The laws and regulations are continually changing and are generally becoming more restrictive. The Corporation conducts its operations to protect public health and the environment. As at December 31, 2020, the estimated inflation-adjusted discounted cash flows required to settle the asset obligations amounts to $1,222,335 ($1,129,012 in 2019). The discount rate used is 1.61% (1.70% in 2019) and the disbursements are expected to be in 2028. The estimated undiscounted value of this liability was estimated using an expected value approach which combines probability weighted outcomes for a variety of different scenarios and taking into consideration a normal inflation rate over time until 2028, for inflated costs varying from $1,125,000 to $1,350,000.

	December 31, 2020	December 31, 2019
	$	$
Balance, beginning of the year	**1,129,012**	1,087,725
Foreign exchange	**8,874**	(18,986)
Change in assumptions used	**77,278**	41,892
Accretion expense	**7,171**	18,381
Balance, end of the year	**1,222,335**	1,129,012

10. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Common Shares

Transactions during the year ended December 31, 2020

As at December 31, 2020, the Corporation had 92,181,714 issued and outstanding common shares (December 31, 2019 - 79,603,320).

During the year ended December 31, 2020, the Corporation repurchased 59,701 common shares for a total purchase price of $50,689 relating to the Normal Course Issuer Bid buy-back program (“NCIB”). An excess purchase price paid on the carrying value of the shares repurchased for an amount of $7,313 was charged to deficit as a share repurchase premium.

In 2012, the Corporation entered into an agreement with a service provider to market the Corporation to potential investors. On July 29, 2020, the Corporation completed a share for debt transaction and has issued 150,000 common shares for a value of $219,888 to settle a dispute with a former service provider.

On September 3, 2020, the Corporation closed its private placement and has issued 12,488,095 units of the Corporation for gross proceeds of $20,016,468 (CA$26,225,000). Each unit consists of one common share in the Corporation and one-half of one common share purchase warrant. Each warrant shall be exercisable for one common share at an exercise price of CA$3.30 until September 3, 2023.

The relative fair value of the 6,244,048 warrants was estimated at $3,837,932 using the Black–Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 87.92%, risk-free rate of return 0.24%, a share price of CA$2.39, a strike price of CA$3.30 and an expected maturity of 3 years.

In addition, 604,186 broker warrants were issued. The fair value of the 604,186 broker warrants was estimated at $593,479 using the Black–Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 87.92%, risk-free rate of return 0.24%, a share price of CA$2.39, a strike price of CA$2.29 and an expected maturity of 3 years.

In connection with the offering, the Corporation paid a total of $1,582,625 in commission, legal fees and other fees.

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

11. SHARE PURCHASE WARRANTS

The outstanding share purchase warrants as at December 31, 2020 and December 31, 2019 and the respective changes during the years then ended are summarized as follows:

11. SHARE PURCHASE WARRANTS *(continued)*

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number	**CA$ (1)**	Number	CA$ (1)
Balance, beginning of the year	-	-	1,300,000	0.68
Exercised	-	-	(1,300,000)	(0.68)
Issued	6,848,234	3.21	-	-
Balance exercisable, end of the year	6,848,234	3.21	-	-

The number of outstanding share purchase warrants that could be exercised for an equal number of common shares is as follows:

		Year ended December 31, 2020
Expiry Date	**Number**	**Exercise Price CA$(1)**
September 3, 2023	604,186	2.29
September 3, 2023	6,244,048	3.30
Balance exercisable, end of the year	6,848,234	3.21

(1) Weighted average exercise price in Canadian dollars.

12. SHARE PURCHASE OPTIONS

In 2018, the Corporation adopted amendments to its incentive share purchase option plan (the "plan") which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the TSX policies, grant to directors, officers, employees and consultants to the Corporation, non-transferable share purchase options to purchase common shares of the corporation, provided that the number of shares reserved for issuance will not exceed 7,500,000 (2019 – 7,500,000) common shares and that the exercise price of share purchase options granted may not be less than the closing price on the day preceding the grant. The vesting period the share purchase options is determined at the discretion of the Corporation's Board of Directors at the time the share purchase options are granted.

The outstanding share purchase options as at December 31, 2020 and as at December 31, 2019 and the respective changes during the years then ended are summarized as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Number	**CA$ (2)**	Number	CA$ (2)
Balance, beginning of the year	890,000	3.23	1,190,000	2.92
Expired	-	-	(300,000)	2.00
Granted	5,305,000	1.43	-	-
Balance, end of the year	6,195,000	1.69	890,000	3.23
Exercisable	3,094,997	1.95	890,000	3.23

The following table reflects the share purchase options that could be exercisable for an equal number of common shares:

12. SHARE PURCHASE OPTIONS *(continued)*

			Year ended December 31, 2020
	Number outstanding	Number exercisable	Exercise price CA$ (2)
January 24, 2023	50,000	50,000	2.00
May 4, 2023	800,000	800,000	3.30
June 19, 2023	40,000	40,000	3.30
July 1, 2030	5,305,000	2,204,997	1.43
	6,195,000	3,094,997	

(2) Weighted average exercise price in Canadian dollar.

The fair value of share purchase options granted was determined using Black & Scholes valuation model based on the following weighted average assumptions:

	Year ended December 31, 2020	Year ended December 31, 2019
Weighted average fair value of awards	CA$1.18	-
Unvested forfeiture rate	0%	-
Grant price	CA$1.43	-
Market price	CA$1.43	-
Volatility	84.26%	-
Risk-free rate	0.56%	-
Dividend yield	0%	-
Expected life	10	-

A share-based compensation expense of $2,916,399 was recognized during the year ended December 31, 2020 (2019 $nil).

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

13. SEGMENTED INFORMATION

All of the Corporation's operations are within the mining industry and its major products are precious metals ingots and concentrate which are refined or smelted into pure silver and sold to global metal brokers. A reporting segment is defined as a component of the Corporation that:

- engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's executive management; and
- for which discrete financial information is available.

For year ended December 31, 2020, the Corporation's reporting segments include the production segment, with its Zgounder silver project in Morocco, as a significant reporting segment. All other properties are segmented in the "non-producing properties" category (i.e. referred to as Exploration, evaluation and development segment) for the years ended December 31, 2020 and 2019. The "Others" segment consists primarily of the Corporation's corporate assets including cash and cash equivalents, inter-Company eliminations, and corporate expenses which are not allocated to operating segments.

December 31, 2020 and 2019 (in United States dollars)

13. SEGMENTED INFORMATION *(continued)*

Management evaluates segment performance based on mine operating earnings. Therefore, other income and expense items are not allocated to the segments. Significant information relating to the Corporation's reportable operating segments is summarized in the tables below:

			December 31, 2020
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Zgounder Silver Mine - Morocco)	22,126,643	33,551,586	6,524,729
Exploration, evaluation and development	8,589,398	8,589,398	1,773,589
Corporate	2,480,654	29,934,581	1,851,179
Total per consolidated statement of financial position	**33,196,695**	**72,075,565**	**10,149,497**

			December 31, 2019
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Zgounder Silver Mine - Morocco)	20,465,140	24,776,549	5,281,776
Exploration, evaluation and development	6,652,763	6,754,786	1,780,690
Corporate	7,698	16,629,832	216,264
Total per consolidated statement of financial position	**27,125,601**	**48,161,167**	**7,278,370**

Year-Ended December 31, 2020 and 2019		Revenue	Cost of sales	Expense	Loss (gain) on foreign exchange	Operating income (loss)
Zgounder	**2020**	**13,822,709**	**9,779,055**	**-**	**(587,986)**	**4,631,640**
	2019	6,081,400	4,943,918	203,219	288,108	646,155
Exploration	**2020**	**-**	**-**	**-**	**(45,274)**	**45,274**
	2019	-	-	-	158	(158)
Others	**2020**	**-**	**-**	**5,735,983**	**(226,237)**	**(5,509,746)**
	2019	-	-	800,369	(197,293)	(603,076)
Consolidated	**2020**	**13,822,709**	**9,779,055**	**5,735,983**	**(859,497)**	**(832,832)**
	2019	6,081,400	4,943,918	1,003,588	90,973	42,921

December 31, 2020 and 2019 (in United States dollars)

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

The following is a breakdown of the nature of revenue included in silver sales for the years ended December 31, 2020 and December 31, 2019:

Revenue from silver sales

		Year ended December 31,
	2020	2019
	$	$
Ingots	**8,837,016**	4,132,063
Silver Concentrate	**4,985,693**	1,949,337
	13,822,709	6,081,400

The Corporation's sales are to two clients (2019 – 3 clients) located in Switzerland.

15. ADDITIONAL INFORMATION ON THE NATURE OF COST OF SALES

The following is a breakdown of the nature of cost of sales for the years ended December 31, 2020 and December 31, 2019:

Cost of sales		**Year ended December 31,**
	2020	2019
	$	$
Consumables, supplies and services	**5,979,774**	3,048,352
Selling expense	**118,734**	112,840
Inventory write-down	**1,057,638**	-
Royalties	**416,486**	177,341
Amortization (Note 5)	**2,206,423**	1,605,385
	9,779,055	4,943,918

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

The following is a breakdown of the nature of expenses included in management and administration expenses and finance expense for the years ended December 31, 2020 and December 31, 2019:

Management and administration expenses

		Year ended December 31,
	2020	2019
	$	$
Salaries and benefits	**965,108**	246,081
Consulting fees	**404,281**	63,702
Office	**155,452**	90,362
Professional fees	**909,255**	206,863
Reporting issuer costs	**77,035**	63,499
	2,511,131	670,507

December 31, 2020 and 2019 (in United States dollars)

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

Finance (income) expense		**Year ended December 31,**
	2020	2019
	$	$
Gain on debt extinguishment (Note 7)	**(520,452)**	-
Fair value adjustment on options contracts	**47,143**	-
Interest income	**(229,707)**	(402,355)
Interest expense	**158,405**	97,074
Accretion expense	**140,693**	246,067
	(403,918)	(59,214)

Expenses recognized for employee benefits		**Year ended December 31,**
	2020	2019
	$	$
Salaries and bonuses	**2,877,832**	2,043,769
Fringe benefits costs	**659,616**	506,117
Post-employment benefits and short-term employee benefits (Note 25)	**87,725**	71,880
Post-employment benefits from government plans	**81,951**	61,070
Management consulting and professional fees	**570,028**	32,033
Share-based payments (Note 12)	**2,916,399**	-
	7,193,551	2,714,869

17. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

		Year ended December 31,
	2020	2019
	$	$
Loss before income tax	**(842,050)**	102,135
Statutory income tax rate	**26.5%**	26.6%
Expected income tax recovery	**(223,143)**	27,169
Share-based payments	**777,817**	-
Effect of tax rate in foreign jurisdictions	**(231,240)**	(2,280)
Tax effect of permanent differences	**189,611**	1,165
Unrecognized benefit of losses and temporary difference	**396,608**	649,729
Prior year adjustment	**44,117**	-
Withholdings and minimum tax	**1,444**	-
Other	**(17,674)**	2,865
	937,540	678,648
Current income taxes	**520,710**	29,953
Deferred income taxes	**416,830**	648,695
	937,540	678,695

December 31, 2020 and 2019 (in United States dollars)

17. INCOME TAXES *(continued)*

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

	2020	**Year ended December 31,** 2019
	$	$
Non-capital losses carry-forward	**7,455,157**	5,127,655
Property, plant and equipment	**122,399**	98,958
Exploration and evaluation assets	**5,001,416**	3,588,883
Share issue costs	**1,999,877**	151,469
Balance of purchase price	**-**	162,884
Other assets and liabilities	**460,320**	738,020
Capital losses	**605,649**	664,052
	15,644,818	10,531,921

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

	2020	**Year ended December 31,** 2019
	$	$
Write-down of deferred tax asset	**1,149,810**	648,695
	1,149,810	648,695

Recognized deferred tax assets and liabilities are as follows:

	December 31, 2019	**Recognized in profit or loss**	**Recognized in Equity**	**December 31, 2020**
	$	**$**	**$**	**$**
Non-capital loss carry-forward	2,175,838	(269,164)	(54,427)	1,852,247
Property, plant and equipment	(1,925,176)	64,448	13,032	(1,847,696)
Balance of purchase price payable	-	(38,270)	(7,738)	(46,008)
Other	(91,678)	125,980	25,475	59,777
Exploration and evaluation assets	(807,679)	(299,824)	(60,627)	(1,168,130)
	(648,695)	**(416,830)**	**(84,285)**	**(1,149,810)**

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

December 31, 2020 and 2019 (in United States dollars)

17. INCOME TAXES *(continued)*

Non-capital losses available in Canada expire as follows:

	CANADA
	$
2034	298,084
2035	1,299,966
2036	433,489
2037	906,396
2038	784,821
2039	1,431,654
2040	1,833,263
	6,987,673

As at December 31, 2020, the Corporation had unused tax losses in Morocco of $123,804 ($228,073 in 2019) expiring from 2021 to 2024.

As at December 31, 2020, the Corporation had unused tax losses in Mexico of $343,680 ($471,200 in 2019).

18. CAPITAL MANAGEMENT

The Corporation defines capital as equity and lease liabilities. When managing capital, the Corporation's objectives are:

- to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions;
- to ensure the externally imposed capital requirements relating to debt obligations are being met;
- to increase the value of the Corporation's assets; and
- to achieve optimal returns to shareholders.

These objectives will be achieved by effectively operating our operating asset, 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 operation, acquisition, exploration and evaluation and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management team to sustain the future development of the business. As at December 31, 2020, managed capital is $63,480,535 ($40,960,411 as at December 31, 2019). 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, 2020.

19. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the years ended December 31, 2020 and 2019. The Corporation's main financial risks exposure and its financial risks management policies are as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Corporation's financial assets exposed to credit risk are primarily composed of cash and accounts receivable. The Corporation's cash is mostly held with reputable Canadian or Moroccan banks.

Credit risk arises from the possibility that the clients which the Corporation sells its product to may experience financial difficulties and be unable to fulfil their obligations. The Corporation requires that it is paid the majority of what it is owed on

December 31, 2020 and 2019 (in United States dollars)

19. FINANCIAL RISK MANAGEMENT *(continued)*

transfer of property and deals with creditworthy counterparties to mitigate the risk of financial loss from defaults. The Corporation monitors the credit risk of customers through credit rating reviews and constant communication with customers.

The Corporation establishes an allowance for doubtful accounts taking into account the credit risk of specific customers, historical trends and other information. As at December 31, 2020 and 2019, the Corporation sells its ingots and silver concentrated ore to a limited amount of customers and has never experienced a credit loss. Consequently, credit risk is considered to be immaterial.

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

Commodity price risk

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

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation’s liquidity and operating results may be adversely affected if the Corporation’s access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation. Over the years, the Corporation generates cash flow from its financing activities and from the sales realized at the Zgounder mine.

The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2020:

	Carrying Amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	$	$	$	$	$
Accounts payable & accrued liabilities (except salaries and employee benefits)	4,124,440	4,124,440	4,124,440	-	-
Interest and net profit interest due to a related party (Note 24)	195,133	195,133	195,133	-	-
Balance of purchase price payable (Note 7)	1,238,141	1,665,825	-	-	1,665,825
Options contacts	128,723	128,723	128,723	-	-
Lease liabilities (Note 8)	316,326	316,326	146,689	105,145	87,966
	6,002,763	6,430,447	4,594,985	105,145	1,753,791

The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2019:

	Carrying Amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	$	$	$	$	$
Accounts payable & accrued liabilities (except salaries and employee benefits)	2,903,857	2,903,857	2,903,857	-	-
Interest and net profit interest due to a related party (Note 24)	191,423	191,423	191,423	-	-
Balance of purchase price payable (Note 7)	1,547,415	1,547,415	1,547,415	-	-
Lease liabilities (Note 8)	77,974	77,974	77,974	-	-
	4,720,669	4,720,669	4,720,669	-	-

19. FINANCIAL RISK MANAGEMENT *(continued)*

Currency risk

In the normal course of operations, the Corporation is exposed to currency risk due to business transactions in foreign countries denominated in a currency other than the functional currency of each entity in the group, being the Canadian dollar for all the entities within the consolidated group except for CMMM, ZMSM, BGM and AGS for which the functional currency is the Moroccan dirham. Transactions related to the Corporation's exploration and evaluation activities are mainly denominated in Moroccan dirham. Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are as follows.

The Corporation enters into put option contracts to mitigate the risk of fluctuations in the exchange rate of its holdings of US currencies. Changes in the fair value of the contracts and the corresponding gains or losses are recorded quarterly and are included in the fair value adjustment on options contracts on the consolidated statement of comprehensive income (loss). The Corporation's management strategy is to reduce the risk of fluctuations associated with foreign exchange rate changes. The foreign currency option contracts are held to maturity and are either exercised for a net loss or expire at no obligation to the Corporation. The fair value of options contracts, which represents the amount that would be received/(paid) by the Corporation if the contracts were terminated at December 31, 2020 was ($128,723). As a December 31, 2020 the Corporation had cash collateral balances related to option contracts being held of $2,480,929. They are reflected as restricted cash in escrow in the consolidated statement of financial position.

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

December 31, 2020	**CA Dollar**	**US Dollar**	**MAD Dirham**
	$	**$**	**$**
Cash and cash equivalents	6,704,656	2,805,824	-
Accounts receivable	-	4,426,619	-
Accounts payable and accrued liabilities	-	(173,534)	-
Interest and net profit interest due to a related party (Note 24)	-	-	(195,133)
Intercompany loans	(10,394,930)	-	14,645,858
Balance of purchase price payable (Note 8)	-	-	(1,238,141)
	(3,690,274)	7,058,909	13,212,584

December 31, 2019	**CA Dollar**	**US Dollar**	**MAD Dirham**
	$	**$**	**$**
Cash and cash equivalents	-	313,102	-
Accounts receivable	-	1,178,979	-
Accounts payable and accrued liabilities	-	(141,311)	(121,263)
Interest and net profit interest due to a related party (Note 24)	-	-	(191,423)
Intercompany loans	(6,887,971)	-	13,604,802
Balance of purchase price payable (Note 8)	-	-	(1,547,415)
	(6,887,971)	(1,350,770)	11,744,701

The impact on comprehensive income (loss) and equity of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances on December 31, 2020 would be approximately $1,658,000 ($351,000 in 2019).

December 31, 2020 and 2019 (in United States dollars)

20. FINANCIAL INSTRUMENTS

The classification of financial instruments is summarized as follows, as at December 31:

Financial Assets	**Classification**	**2020**	2019
	$	$	$
Cash and cash equivalents	Financial assets at amortized cost	**30,533,399**	16,621,291
Accounts receivable	Financial assets at amortized cost	**4,458,337**	1,203,634
Restricted cash	Financial assets at amortized cost	**2,758,292**	7,698
		37,750,028	17,832,623

Financial Liabilities	**Classification**	**2020**	2019
	$	$	$
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	**4,124,440**	2,903,857
Balance of purchase price payable (Note 8)	Financial liabilities at amortized cost	**1,238,141**	1,547,415
Interest and net profit interest due to a related party (Note 24)	Financial liabilities at amortized cost	**195,133**	191,423
		5,557,714	4,642,695

Financial Liabilities	**Classification**	**2020**	2019
	$		
Options contracts	Fair value through profit & loss	**128,723**	-
		128,723	-

Fair value of financial instruments

Current financial instruments that are not measured at fair value on the consolidated statement of financial position are represented by cash and cash equivalents, accounts receivable, 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 for the acquisition of the Boumadine property, which is classified as a level 3 financial liability was calculated based on the discounted cash flows and is not materially different from its carrying value since it was remeasured at fair value on modification date during the first quarter of 2020 given the renegotiation of the terms.

Foreign currency options contracts

Foreign currency options contracts are recognized on the Corporation's consolidated statement of financial position when the Company becomes party to the contractual provisions of the instrument. The instrument is derecognized from the consolidated statement of financial position when the contractual rights or obligations arising from that instrument expire or are extinguished. Forward currency contracts are recognized at Fair Value through profit and loss. The variation of fair value is in the consolidated statement of comprehensive income. The premium at inception is accounted for against the fair value of the instrument at each reporting date.

Fair value hierarchy

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

December 31, 2020 and 2019 (in United States dollars)

20. FINANCIAL INSTRUMENTS *(continued)*

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.

As at December 31, 2020, the following represents the classification of fair value instruments:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Options contracts	-	128,723	-	**128,723**
	-	**128,723**	-	**128,723**

The Corporation's foreign currency options contracts are not traded in active markets. The fair value of these instruments has been determined using observable forward exchange rates. The effects of non-observable inputs are not significant for foreign contract positions.

21. SUPPLEMENTAL CASH FLOW INFORMATION

		Year ended December 31,
	2020	2019
Changes in working capital items	**$**	$
Accounts receivable	**(3,072,676)**	(1,163,732)
Sales taxes receivable	**(809,608)**	86,419
Inventories	**533,222**	(963,360)
Prepaid expenses and security deposits	**(307,712)**	52,225
Accounts payable and accrued liabilities	**1,523,938**	3,306,304
Current income tax payable	**540,767**	-
Net profit interest payable to a related party	**-**	99,557
Non-refundable deposits to suppliers	**244,874**	(130,664)
	(1,347,195)	1,286,749
Non-cash transactions		
Variation of unpaid additions of property, plant and equipment	**-**	(3,285,061)

22. LOSS PER COMMON SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted net earnings or loss per share adjusts basic net earnings per share for the effects of potential dilutive common shares. Warrants and share purchase options were excluded from the calculation of the diluted weighted average number of common shares outstanding for the years ending December 31, 2020 and December 31, 2019, as their effects would have been anti-dilutive.

23. COMMITMENTS AND GUARANTEES

In addition to the commitments disclosed in Notes 7 and 8, the Corporation has the following commitments regarding its properties:

Royalties

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

- 2.5% net smelter royalty (“NSR”) to Société d’Exploration Géologique des Métaux (“SEGM”) on the Amizmiz property and an 8 km radius area of interest;
- 2.5% royalty to Ouiselat Mines (a private Moroccan company) on revenue from the Azegour property;
- 3.0% royalty to ONHYM on revenue from the Zgounder property or 3,928,076 dirhams ($416,486) for the year ended December 31, 2020 (1,717,010 dirhams $177,341 for the year ended December 31, 2019);
- 3.0% royalty to ONHYM on revenue from the Boumadine property

Net profit interest

In 2013, the Corporation entered into a net-profit interest (“NPI”) agreement with Global Works, Assistance and Trading S.A.R.L. (“Glowat”), a related party to the previous CEO and director of the Corporation, equal to 5% of the gross revenues generated from the operations of the Zgounder silver mine, less mining and milling costs. The Corporation is currently reviewing the terms and agreements of set agreement following the departure of the former CEO.

24. RELATED PARTY TRANSACTIONS

During years ended December 31, 2020 and 2019 the following related party transactions occurred in the normal course of operations:

- A firm, of which a former director of the Corporation is a partner, charged professional fees amounting to $99,688 recorded as professional fees (2019 - $34,130). As at December 31, 2020, $1,479 (December 31, 2019 – ($9,117)) was due to that firm;

- A firm, of which a former director and acting CFO of the Corporation is a partner, charged professional fees amounting to $66,599 recorded as professional fees (2019 - $nil). As at December 31, 2020, $80,527 (December 31, 2019 - $nil) was due to that firm;

- A Net profit interest to Glowat, a private company owned by a party related to a former officer and director of the Corporation, was $nil (2019 - $203,219). As at December 31, 2020, $195,133 (December 31, 2019 - $191,423) was due to Glowat.

- A company where the Corporation's Chief Executive Officer is also the Director and Executive Chairman of the Board charged management and consulting fees amounting to $69,848 (2019 - $nil) and $3,686 in general and administrative fees (2019 - $nil). As at December 31, 2020, $693 (December 31, 2019 - $nil) was due to that company.

- A company owned by the Chief Executive Officer and a Director of the Corporation charged management and consulting fees of $324,881 (2019 - $nil) and general and administrative fees of $33,327 (2019 - $nil). As at December 31, 2020, $190,953 (December 31, 2019 - $nil) was due to that company.

- A consulting company, of which an officer of the Corporation is the sole owner, charged professional fees amounting to $78,861 recorded as professional fees (December 31, 2019 - $nil). As at December 31, 2020, $19,043 (December 31, 2019 - $nil) was due to that company.

December 31, 2020 and 2019 (in United States dollars)

24. RELATED PARTY TRANSACTIONS *(continued)*

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 President and Chief Executive Officer, and the Chief Financial Officer. During the years ended December 31, 2020 and 2019, the remuneration awarded to key management personnel (including the amounts above) is as follows:

		Year ended December 31,
	2020	2019
	$	$
Salaries and benefits	**570,268**	261,061
Management consulting and professional fees	**570,028**	32,033
Director fees	**163,045**	35,797
Share-based compensation	**1,932,554**	-
	3,235,895	328,891

As at December 31, 2020, $405,451 is included in accounts payable and accrued liabilities related to the former CEO's severance. As at December 31, 2020, $107,510 in directors' fees are unpaid.

25. POST EMPLOYMENT BENEFITS

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

26. COMPARITIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year. The main reclassifications for the year ended December 31, 2020 are as follows:

- Net profit interest payable to a related party is currently included in gross margin calculation, while in 2019 it was classified as a non-operating expense;
- Royalties are currently included in gross margin calculation, while in 2019 they were classified as non-operating expenses.

27. SUBSEQUENT EVENTS

Acquisition of Algold Resources ltd. ("Algold")

On January 11, 2021, the Corporation announced that it had become the sole secured creditor of Algold by acquiring its $5,000,000 face value (valued at $7,786,365 on the date of closing) secured debt for a consideration of 2,133,333 of the Corporation's shares. Since then, the Corporation has made several secured advances and payments in the context of Algold's restructuring that are expected to total approximately CAD $2,900,000 at the time of closing of the transaction.

On February 19, 2021, the Corporation entered into a binding agreement with Algold pursuant to which the Corporation would fund Algold's proposal to its creditors and at closing, would become the sole shareholder of Algold. Under the terms of the investment agreement, the Corporation will provide Algold with CAD $100,000 in cash CAD $2,500,000 in the form of the

Corporation's shares to fund Algold's proposal. The Corporation will also provide $2,400,000 in its shares to be distributed to Algold's current shareholders with a view to become Algold's sole shareholder.

On March 5, 2021, the proposal made by Algold to its creditors was approved pursuant to which Aya will fund Algold's proposal and at closing, will become the sole shareholder of Algold. The transaction is expected to close on or around April 30, 2021.

Management will assess the impacts of the transaction on its consolidated financial statements once the transaction has closed.