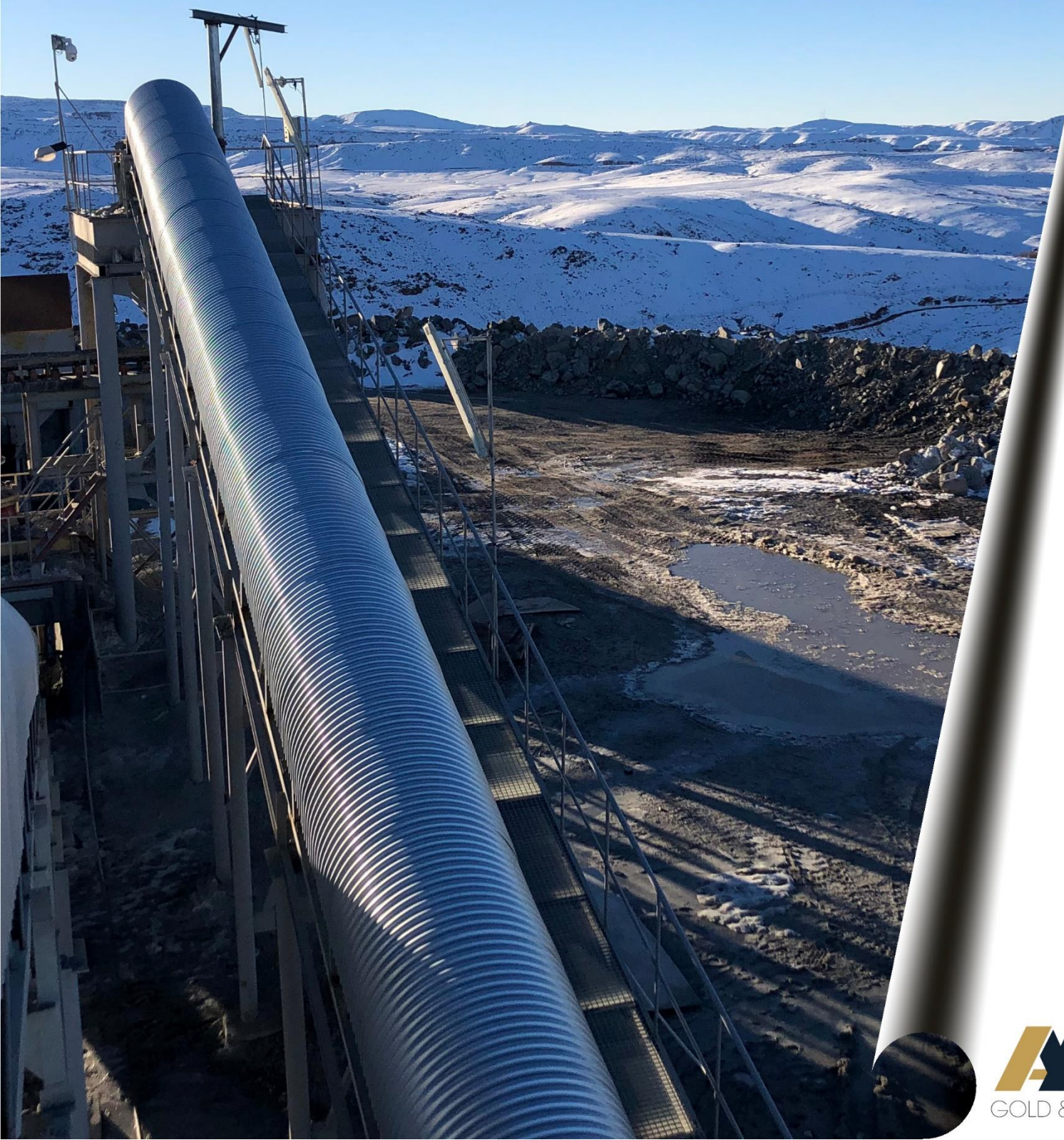


# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2021 AND 2020



## **Management's Responsibilities over Financial Reporting**

The Financial Statements of Aya Gold & Silver Inc. (the "Corporation" or "Aya") are the responsibility of the Corporation's management. The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board 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 condensed interim consolidated financial statements prior to their submission to the Board of Directors for approval.

# Aya Gold & Silver Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited, in United States dollars)

	March 31, 2021	December 31, 2020
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	29,050,874	30,533,399
Accounts receivable	3,635,703	4,458,337
Sales taxes receivable	1,959,796	1,799,148
Inventories (Note 3)	2,248,299	1,723,948
Prepaid expenses and security deposits	247,789	364,038
	37,142,461	38,878,870
Non-current		
Restricted cash (Note 18)	2,769,813	2,758,292
Non-refundable deposits to suppliers	47,001	46,480
Deposits on purchase of equipment	1,185,764	-
Investment (Note 6)	8,282,134	-
Property, plant, and equipment (Note 4)	21,780,425	21,802,525
Exploration and evaluation assets (Note 5)	10,373,061	8,589,398
<b>TOTAL ASSETS</b>	<b>81,580,659</b>	<b>72,075,565</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	6,225,238	5,358,262
Options contracts (Note 19)	128,530	128,723
Interest and net profit interest payable to a related party (Note 23)	197,459	195,133
Income tax payable	910,385	540,767
Current portion of lease liabilities (Note 8)	122,024	134,102
	7,583,636	6,356,987
Non-current		
Lease liabilities (Note 8)	157,492	182,224
Balance of purchase price payable (Note 7)	1,151,497	1,238,141
Asset retirement obligations (Note 9)	1,139,296	1,222,335
Deferred income tax	1,302,221	1,149,810
<b>TOTAL LIABILITIES</b>	<b>11,334,142</b>	<b>10,149,497</b>
<b>EQUITY</b>		
Share capital (Note 10)	101,644,343	95,513,459
Equity reserves	15,398,573	14,008,113
Deficit	(48,183,866)	(48,487,280)
	68,859,050	61,034,292
Non-controlling interests	1,387,467	891,776
<b>TOTAL EQUITY</b>	<b>70,246,517</b>	<b>61,926,068</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>81,580,659</b>	<b>72,075,565</b>

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

On behalf of the Board,

Benoit La Salle /s/  
President, CEO, Director

Yves Grou /s/  
Director

# Aya Gold & Silver Inc.

## Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited, in United States dollars)

	Three-month period ended March 31,	
	2021	2020
<b>Revenue from silver sales</b> (Note 14)	8,541,273	525,062
Cost of sales (Note 15)	3,963,251	552,585
Net profit interest to a related party (Notes 22 & 23)	-	14,361
<b>Gross margin</b>	<b>4,578,022</b>	(41,884)
<b>Expenses</b>		
General and Administrative (Note 16)	1,012,464	734,747
Share-based payments (Note 12)	1,107,080	-
	<b>2,119,544</b>	734,747
<b>Operating income (loss)</b>	<b>2,458,478</b>	(776,631)
Net finance expense (income) (Note 16)	561,576	(523,735)
Other expenses	-	179,883
<b>Income (loss) before income taxes</b>	<b>1,896,902</b>	(432,779)
Income tax expense	1,077,232	2,954
<b>Net income (loss)</b>	<b>819,670</b>	(435,733)
<b>Net income (loss) attributable to</b>		
Equity holders of Aya Gold & Silver Inc.	303,414	(369,891)
Non-controlling interests	516,256	(65,842)
Net income (loss)	<b>819,670</b>	(435,733)
<b>Other comprehensive income (loss)</b>		
<b>Items that will subsequently be reclassified to net income (loss):</b>		
Foreign currency translation adjustment	434,287	(3,292,169)
<b>Comprehensive income (loss)</b>	<b>1,253,957</b>	(3,727,902)
<b>Comprehensive income (loss) attributable to</b>		
Equity holders of Aya Gold & Silver Inc.	758,266	(3,689,794)
Non-controlling interests	495,691	(38,108)
	<b>1,253,957</b>	(3,727,902)
Basic income (loss) per common share (Note 21)	<b>0.009</b>	(0.005)
Diluted income (loss) per common share (Note 21)	<b>0.008</b>	(0.005)
Weighted average number of shares - basic (Note 21)	<b>94,150,765</b>	79,548,510
Weighted average number of shares – diluted (Note 21)	<b>98,872,066</b>	79,548,510

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

# Aya Gold & Silver Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited, in United States dollars)

	Share Capital		Equity Reserves						Non-controlling interests	Total equity
	Number of issued and outstanding shares	Share capital	Share based payments <sup>(a)</sup>	Contributed surplus <sup>(b)</sup>	Accumulated other comprehensive income (loss) <sup>(c)</sup>	Equity Reserves	Deficit attributable to equity holders of Aya Gold & Silver Inc.			
		\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance as at December 31, 2020</b>	<b>92,181,714</b>	<b>95,513,459</b>	<b>4,037,000</b>	<b>12,118,512</b>	<b>(2,147,399)</b>	<b>14,008,113</b>	<b>(48,487,280)</b>	<b>891,776</b>	<b>61,926,068</b>	
Issuance of shares for purchase of debt (Notes 6 & 10)	2,133,333	5,457,145	-	-	-	-	-	-	5,457,145	
Exercise of warrants and options (Notes 10 & 11)	233,114	673,739	-	(171,472)	-	(171,472)	-	-	502,267	
Share-based payments (Note 12)	-	-	1,107,080	-	-	1,107,080	-	-	1,107,080	
	<b>94,548,161</b>	<b>101,644,343</b>	<b>5,144,080</b>	<b>11,947,040</b>	<b>(2,147,399)</b>	<b>14,943,721</b>	<b>(48,487,280)</b>	<b>891,776</b>	<b>68,992,560</b>	
Net income	-	-	-	-	-	-	303,414	516,256	819,670	
Other comprehensive income (loss)	-	-	-	-	454,852	454,852	-	(20,565)	434,287	
<b>Comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>454,852</b>	<b>454,852</b>	<b>303,414</b>	<b>495,691</b>	<b>1,253,957</b>	
<b>Balance as at March 31, 2021</b>	<b>94,548,161</b>	<b>101,644,343</b>	<b>5,144,080</b>	<b>11,947,040</b>	<b>(1,692,547)</b>	<b>15,398,573</b>	<b>(48,183,866)</b>	<b>1,387,467</b>	<b>70,246,517</b>	
Balance as at December 31, 2019	79,603,320	79,158,411	1,167,349	7,640,353	(3,678,543)	5,129,159	(43,799,620)	394,487	40,882,437	
Share issue costs	-	-	-	-	-	-	(143,927)	-	(143,927)	
Repurchase of common shares	(54,810)	(41,011)	-	-	-	-	(8,052)	-	(49,063)	
	<b>79,548,510</b>	<b>79,117,400</b>	<b>1,167,349</b>	<b>7,640,353</b>	<b>(3,678,543)</b>	<b>5,129,159</b>	<b>(43,951,599)</b>	<b>394,487</b>	<b>40,689,447</b>	
Net loss	-	-	-	-	-	-	(369,891)	(65,842)	(435,733)	
Other comprehensive loss	-	-	-	-	(3,292,169)	(3,292,169)	-	-	(3,292,169)	
Comprehensive loss	-	-	-	-	(3,292,169)	(3,292,169)	(369,891)	(65,842)	(3,727,902)	
<b>Balance as at March 31, 2020</b>	<b>79,548,510</b>	<b>79,117,400</b>	<b>1,167,349</b>	<b>7,640,353</b>	<b>(6,970,712)</b>	<b>1,836,990</b>	<b>(44,321,490)</b>	<b>328,645</b>	<b>36,961,545</b>	

(a) Share-based payments reserve records the cumulative amounts recognized under IFRS 2 share-based payments with respect to share purchase options granted, shares purchase warrants, restricted share units and deferred share units issued but not yet exercised.

(b) Contributed surplus reserve records the excess above par-value for shares issued.

(c) Accumulated other comprehensive income (loss) reserve records the gains and losses arising from the translation of the Corporation's Financial Statements.

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

**Aya Gold & Silver Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited, in United States dollars)

	Three-month period ended March 31,	
	2021	2020
Cash flows provided by (used in)	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	819,670	(435,733)
Adjustments for non-cash items		
Share-based payments (Note 12)	1,107,080	-
Amortization of property, plant, and equipment (Note 4)	813,150	344,664
Accretion expense (Note 16)	56,049	4,867
Fair value adjustment on options contracts	(15,931)	-
Deferred income tax expense	152,411	-
Unrealized gain on foreign exchange	(234,178)	(500,888)
Options contracts	14,294	-
Changes in working capital items (Note 20)	1,511,019	680,621
	<b>4,223,564</b>	<b>93,531</b>
<b>INVESTING ACTIVITIES</b>		
Net change in restricted cash	21,246	-
Investment in Algold Resources Ltd. (Note 6)	(2,824,989)	-
Payment to supplies for capital expenditures	(1,185,764)	-
Acquisition of property, plant and equipment (Note 4)	(1,093,909)	(175,852)
Additions to exploration and evaluation assets (Note 5)	(1,656,911)	(228,447)
	<b>(6,740,327)</b>	<b>(404,299)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of lease liabilities (Note 8)	(41,716)	(14,988)
Proceeds from exercise of warrants	446,337	-
Proceeds from exercise of options	55,930	-
Repurchase of common shares (Note 10)	-	(49,063)
	<b>460,551</b>	<b>(64,051)</b>
Effect of exchange rate changes on cash in foreign currencies	573,687	(1,415,189)
<b>Net change in cash and cash equivalents</b>	<b>(1,482,525)</b>	<b>(1,790,008)</b>
Cash and cash equivalents, beginning of period	30,533,399	16,621,291
<b>Cash and cash equivalents, end of period</b>	<b>29,050,874</b>	<b>14,831,283</b>

Supplemental cash flow information (Note 20)

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

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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### 1. GENERAL INFORMATION

Aya Gold & Silver Inc. (the "Corporation or "Aya") is a Canadian based precious metals mining corporation 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 is the sole owner of 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.

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 property was declared by the Corporation. All projects other than the Zgounder project are at the 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 Corporation 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 March 31, 2021 the Corporation held \$29.1 million in cash and cash equivalents and \$29.6 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 Corporation's financial position. Management believes there is sufficient working capital to meet the Corporation's current obligations, however the ultimate duration and severity of the COVID-19 pandemic is uncertain and could impact the financial liquidity of the Corporation if the pandemic would persist for another 12+ months. The Corporation 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*

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for:

- (i) Option contracts, which are accounted for at fair value;
- (ii) Share-based payment arrangements, which are measured at fair value on grant date pursuant to IFRS 2, Share-based Payment;

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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

- (iii) Asset retirement obligations are measured at the discounted estimated cost of future remediation; and
- (iv) Lease liabilities, which are initially measured at the present value of minimum lease payments.

#### ***Statement of compliance***

The condensed interim consolidated financial statements of the Corporation for the three-month periods ended March 31, 2021 and 2020 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). IFRS included IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 which have been prepared in accordance with IFRS.

The Board of directors approved and authorized for issue these condensed interim consolidated financial statements, on May 12, 2021.

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

The preparation of these condensed interim consolidated financial statements 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 period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in the Corporation's audited consolidated financial statements for the year ended December 31, 2020.

#### ***Significant accounting policies***

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2020 except for the followings amendments to accounting policies:

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

##### ***Deferred share units***

The Deferred Share Unit Plan ("DSU Plan") provides for the payment of directors' compensation with deferred share units ("DSUs"). Each DSU is a right granted by the Corporation to an eligible director to receive an equivalent to the value of one common share on termination of service. DSU payments are ultimately recognized as an expense in the consolidated statements of comprehensive income (loss) as deferred share unit expense. The DSUs can be settled either in cash or equity upon vesting at the discretion of the Corporation. The Corporation intends to settle all DSU's in equity. The number of DSUs to be granted under the DSU Plan is determined by dividing the director's compensation by the volume-weighted average price of the Common Shares on the Exchange for the five trading days immediately preceding the last business day of the fiscal quarter. The Corporation uses the fair value method to recognize compensation expense related to the granting of DSUs.



# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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

#### **Restricted share units**

The Restricted Share Unit plan (the "RSU Plan") allows the grant to directors, employees, or service providers non-transferable Restricted Share Units ("RSUs") based on the value of the Corporation's share price at volume-weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days immediately preceding the date of grant. Unless otherwise stated, the awards typically have a vesting schedule over a three-year period and can be settled either in cash or equity upon vesting at the discretion of the Corporation. The Corporation intends to settle all RSUs in equity. The Corporation uses the fair value method to recognize compensation expense related to the granting of RSUs.

#### **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:

<b>Subsidiary</b>	<b>Registered</b>	<b>Ownership and voting</b>	<b>Principal activity</b>	<b>Functional Currency</b>
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.

### 3. INVENTORIES

	<b>March 31, 2021</b>	December 31, 2020
	<b>\$</b>	<b>\$</b>
Mining supplies	1,388,552	1,109,409
Silver bars	397,749	297,783
Silver in concentrate	356,825	239,302
Silver in circuit	20,088	16,324
Ore stockpile	85,085	61,130
	<b>2,248,299</b>	<b>1,723,948</b>

For the period-ended March 31, 2021, the Corporation recognized \$1,405,668 (2020 - \$4,558,152) of production costs in the cost of sales.

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 4. PROPERTY, PLANT, AND EQUIPMENT

The majority of properties, plant and equipment are located in Morocco and are related to the Zgounder mine. As at March 31, 2021, property, plant and equipment include right-of-use assets of \$272,515 (December 31, 2020 - \$251,499). As at March 31, 2021, 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 Zgounder mine may not be recoverable. As such, no impairment test was performed.

	Exploration and evaluation equipment	Mining and processing equipment	Mining assets in production	Assets under construction	Right of use assets	Total
	\$	\$	\$		\$	\$
<b>Cost</b>						
Balance at January 1, 2020	330,066	9,433,887	11,513,197	282,240	212,913	21,772,303
Transfers	-	(1,003,404)	1,098,250	(94,846)	-	-
Additions	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
Additions	(4,794)	-	523,235	575,468	-	1,093,909
Asset retirement obligation ( <a href="#">Note 9</a> )	-	(82,864)	-	-	-	(82,864)
Foreign exchange	264	(3,706)	18,506	(9,951)	1,012	6,125
Balance at March 31, 2021	335,061	9,193,450	14,770,894	1,903,802	553,623	26,756,830
<b>Depreciation</b>						
Balance at January 1, 2020	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
Amortization	5,809	311,233	516,786	-	(20,678)	813,150
Foreign exchange	(42,635)	1,071	267,010	-	674	226,120
Balance at March 31, 2020	89,229	1,741,721	2,864,347	-	281,108	4,976,405
<b>Carrying amounts</b>						
At December 31, 2020	213,536	7,850,603	12,148,602	1,338,285	251,499	21,802,525
At March 31, 2021	245,832	7,451,729	11,906,547	1,903,802	272,515	21,780,425

Assets under construction represent expenditures for the construction and development of assets that will eventually be put into commercial production.

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 5. EXPLORATION AND EVALUATION ASSETS

During the three-month period ended March 31, 2021 and the year ended December 31, 2020, changes in exploration and evaluation assets were as follows:

	March 31, 2021	December 31, 2020
	\$	\$
<b>Rights on mining properties</b>		
Balance, beginning of the period	3,482,891	3,416,672
Foreign exchange	41,529	66,219
Balance, end of the period	3,524,420	3,482,891
<b>Deferred exploration and evaluation expenses</b>		
Balance, beginning of the period	5,106,507	3,236,091
Additions		
Drilling, Sampling, Geology, and others	1,656,911	1,719,333
Foreign exchange	85,223	151,083
Balance, end of the period	6,848,641	5,106,507
<b>Total</b>	<b>10,373,061</b>	<b>8,589,398</b>

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 rights and exploration expenditures on the property, totalling \$4,892,989 as at March 31, 2021 (\$3,279,953 as at December 31, 2020) were for geology analysis and prospecting and drilling efforts in order to assess mineral reserves on new zones east and west of the Zgounder mine.

#### ***Boumadine project***

The rights and exploration expenditures on the property totalling \$5,454,458 as at March 31, 2021 (\$5,283,831 as at December 31, 2020) 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 that delays in production are greater than 60 months from the date of the agreement, the Corporation undertakes to pay the seller a delay royalty of 100,000 dirham (\$11,097) paid annually until production begins. The timeline of 60 months has not yet begun.

#### ***Azegour project***

The rights and exploration expenditures on the property, totalled \$25,614 as at March 31, 2021 (\$25,614 as at December 31, 2020). 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.

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 6. INVESTMENT IN ALGOLD RESOURCES LTD

On January 11, 2021, the Corporation became the sole secured creditor of Algold Resources Ltd. (“Algold”) by acquiring its \$5,000,000 face value secured note receivable repayable on demand, bearing interest of 18%, for a consideration of 2,133,333 of the Corporation’s shares. Since then, the Corporation has made several secured advances to Algold in the context of its restructuring under the Companies’ Creditors Arrangement Act (“CCAA”). The Corporation’s investment in Algold’s secured debt and advances is secured by all the issued and outstanding shares of Algold.

On January 12, 2021, the Corporation issued 2,133,333 of its shares at C\$3.26 for total consideration of \$5,457,145 (C\$ 6,959,810).

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 C\$100,000 in cash and C\$2,500,000 in the form of the Corporation’s shares to fund Algold’s proposal to creditors under CCAA. The Corporation will also provide C\$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 May 31, 2021.

As at March 31, 2021, the Corporation recorded the following for its investments in Algold Resources Ltd:

	March 31, 2021	December 31, 2020
	\$	\$
Balance, beginning of the period	-	-
Secured note receivable	5,457,145	-
Advances	2,824,989	-
Balance, end of the period	8,282,134	-

### 7. BALANCE OF PURCHASE PRICE PAYABLE

	March 31, 2021	December 31, 2020
	\$	\$
Balance, beginning of the period	1,238,141	1,547,415
Accretion expense	47,491	126,574
Gain on debt extinguishment	-	(520,452)
Foreign exchange	(134,135)	84,604
Balance, end of the period	1,151,497	1,238,141
Current portion	-	-
Non-current portion	1,151,497	1,238,141

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 7. BALANCE OF PURCHASE PRICE PAYABLE (continued)

The Boumadine property is expected to be transferred to Boumadine Global Mining S.A., 85%-owned by the Corporation and 15% by ONHYM, during the year ending December 31, 2021. A non-interest bearing payable in an amount of 15,000,000 MAD (\$1,664,620) which relates to past expenses incurred by the seller, became payable when the subsidiary was created. 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 was recorded as a gain on debt extinguishment in the period-ended March 31, 2020. 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 corporation 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. These 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.

The movement in lease liabilities during the three-month period ended March 31, 2021 and the year ended December 31, 2020-is comprised of the following:

	March 31, 2021	December 31, 2020
	\$	\$
Balance, beginning of the period	316,326	77,974
Additions	-	308,397
Accretion	3,838	6,862
Repayments	(41,716)	(93,176)
Foreign exchange loss	1,068	16,269
Balance, end of the period	279,516	316,326
Current portion	122,024	134,102
Long-term portion	157,492	182,224

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 8. LEASE LIABILITIES (continued)

The undiscounted minimum lease payments on lease liabilities for the forthcoming years are as follows:

	\$
2021	105,689
2022	105,609
2023	60,543
2024	27,360
<b>Total minimum payments</b>	<b>299,201</b>
Less interest	(19,685)
<b>Total minimum capital payments</b>	<b>279,516</b>

The Corporation's weighted average incremental borrowing rate is 4.65%.

### 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 March 31, 2021, the estimated inflation-adjusted discounted cash flows required to settle the asset obligations amounts to \$1,139,296 (\$1,222,335 in 2020). 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 costs varying from \$1,125,000 to \$1,350,000.

	March 31, 2021	December 31, 2020
	\$	\$
Balance, beginning of the period	1,222,335	1,129,012
Foreign exchange	1,788	8,874
Change in assumptions used	(89,529)	77,278
Accretion expense	4,702	7,171
<b>Balance, end of the period</b>	<b>1,139,296</b>	<b>1,222,335</b>

### 10. SHARE CAPITAL

#### Authorized

Unlimited number of common shares without par value.

#### Common Shares

As at March 31, 2021, the Corporation had 94,548,161 issued and outstanding common shares (December 31, 2020 - 92,181,714).

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 10. SHARE CAPITAL (continued)

#### Transactions during the quarter ended March 31, 2021:

- A total of 45,314 share-purchase warrants were exercised for a strike price of C\$2.29 for total proceeds of C\$103,769 (\$82,186) and a fair value reclassification of C\$58,317 (\$46,188) from contributed surplus to share capital.
- A total of 137,800 share purchase warrants were exercised for a strike price of C\$3.30 for total proceeds of C\$454,740 (\$364,151) and a fair value reclassification of C\$98,891 (\$79,297) from contributed surplus to share capital.
- A total of 50,000 share purchase options were exercised for a strike price of C\$1.43 for total proceeds of C\$71,500 (\$55,930) and a fair value reclassification of C\$58,790 (\$45,987) from contributed surplus to share capital.
- A total of 2,133,333 common shares were issued for the purchase of secured debt in Algold Resources Ltd. for total consideration of C\$6,959,810 (\$5,457,145).

During the period in which the warrants and options were exercised, the minimum share price of the Corporation's shares was C\$4.07 while the maximum was C\$5.44.

### 11. SHARE PURCHASE WARRANTS

The outstanding share purchase warrants as at March 31, 2021 and December 31, 2020 and the respective changes during the quarter are summarized as follows:

	Three-month period ended		Year ended	
	March 31, 2021		December 31, 2020	
	Number	C\$ <sup>(1)</sup>	Number	C\$ <sup>(1)</sup>
Balance, beginning of the period	6,848,234	3.21	-	-
Exercised	(183,114)	3.05	-	-
Issued	-	-	6,848,234	3.21
Balance exercisable, end of the period	6,665,120	3.22	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:

Expiry Date	Three-month period ended	
	Number	Exercise Price CA\$ <sup>(1)</sup>
September 3, 2023	558,872	2.29
September 3, 2023	6,106,248	3.30
Balance exercisable, end of the period	6,665,120	3.22

(1) Weighted average exercise price in Canadian dollars.

### 12. SHARE-BASED PAYMENTS

#### 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

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 12. SHARE-BASED PAYMENTS *(continued)*

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 (2020 – 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 for 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 March 31, 2021 and as at December 31, 2020 and the respective changes during the period then years ended are summarized as follows:

	Three-month period ended		Year ended	
	March 31, 2021		December 31, 2020	
	Number	C\$ <sup>(2)</sup>	Number	C\$ <sup>(2)</sup>
Balance, beginning of the period	6,195,000	1.69	890,000	2.92
Granted	383,000	4.75	5,305,000	1.43
Exercised	(50,000)	1.43	-	-
Balance, end of the period	6,528,000	1.87	6,195,000	1.69
Exercisable	3,172,658	2.07	3,094,997	1.95

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

	March 31, 2021		
	Number outstanding	Number exercisable	Exercise price CA\$ <sup>(2)</sup>
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	5,255,000	2,154,997	1.43
May 10, 2031	383,000	127,661	4.75
	6,528,000	3,172,658	

(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:

	Three-month period ended	Year ended
	March 31, 2021	December 31, 2020
Weighted average fair value of awards	CA\$3.92	CA\$1.18
Unvested forfeiture rate	0%	0%
Grant price	CA\$4.75	CA\$1.43
Market price	CA\$4.75	CA\$1.43
Volatility	83.31%	84.26%
Risk-free rate	1.40%	0.56%
Dividend yield	0%	0%
Expected life	10	10



# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 12. SHARE-BASED PAYMENTS *(continued)*

A share-based payment expense of \$979,926 was recognized during the period ended March 31, 2021 (2020 \$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.

#### **Restricted share units**

In February 2021, the Corporation adopted a RSU Plan to reward certain employees, officers and directors of the Corporation (the "Participants"), subject to approval by its shareholders at the Corporation's Annual and Special Meeting of Shareholders on June 10, 2021. Following the implementation of the RSU Plan, the Corporation granted to Participants a number of restricted share units ("RSUs") based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. If approval is not granted, the Corporation will issue cash bonuses to its Participants. The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the Corporation's issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan and the DSU Plan. The RSUs are time-based awards and all the amount of RSUs granted will vest upon the continuous employment of the Participants on the third anniversaries of the RSU grant, starting from the date of the grant or such other period not exceeding three years determined by the Board of Directors.

Pursuant to the terms of the RSU Plan, Participants will receive, upon vesting of the RSUs, common shares of the Corporation issued from treasury. The outstanding RSU's as at March 31, 2021 are as follows:

	Three-month period ended		Year ended	
	March 31, 2021		December 31, 2020	
	Number	CA\$ <sup>(3)</sup>	Number	CA\$
Balance, beginning of the period	-	-	-	-
Granted	108,203	4.93	-	-
Balance, end of the period	108,203	4.93	-	-
Exercisable	-	-	-	-

(3) Weighted average fair value in Canadian dollars.

A share-based compensation payment of \$11,768 was recognized during the period ended March 31, 2021 (2020 \$nil).

#### **Deferred share units**

In February 2021, the Corporation adopted a DSU Plan for the payment of directors' compensation with DSU, subject to approval by its shareholders at the Corporation's Annual and Special Meeting of Shareholders on June 10, 2021. Following the implementation of the DSU Plan, the Corporation granted to Directors a number of DSUs based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. If approval is not granted, the Corporation will issue cash bonuses to its Directors. The DSU Plan provides for a maximum number of common shares available and reserved for issuance to 10% of the Corporation's issued and outstanding common shares, less any shares reserved for issuance under the Stock Option Plan and the RSU Plan. The DSUs are time-based awards and all the amount of DSUs granted will vest on termination of service.

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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### 12. SHARE-BASED PAYMENTS *(continued)*

Pursuant to the terms of the DSU Plan, Directors will receive, upon vesting of the DSUs, common shares of the Corporation issued from treasury. The outstanding DSU's as at March 31, 2021 are as follows:

	Three-month period ended		Year ended	
	March 31, 2021		December 31, 2020	
	Number	CA\$ <sup>(4)</sup>	Number	CA\$
Balance, beginning of the period	-	-	-	-
Granted	29,472	4.93	-	-
Balance, end of the period	29,472	4.93	-	-
Exercisable	-	-	-	-

(4) Weighted average fair value in Canadian dollars.

A share-based compensation payment of \$115,386 was recognized during the period ended March 31, 2021 (2020 \$nil).

### 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 period ended March 31, 2021, 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 periods ended March 31, 2021 and December 31, 2020. The "Others" segment consists primarily of the Corporation's corporate assets including cash and cash equivalents, intercompany eliminations, and corporate expenses which are not allocated to operating segments.

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 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:

**March 31,  
2021**

	Total non-current assets	Total assets	Total liabilities
	\$	\$	\$
Production (Zgounder Silver Mine - Morocco)	22,376,415	34,990,304	7,525,266
Exploration, evaluation, and development	10,373,061	10,373,061	1,633,125
Corporate	11,688,722	36,217,295	2,175,751
<b>Total per consolidated statement of financial position</b>	<b>44,438,198</b>	<b>81,580,660</b>	<b>11,334,142</b>

**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
<b>Total per consolidated statement of financial position</b>	<b>33,196,695</b>	<b>72,075,565</b>	<b>10,149,497</b>

Three months ended March 31, 2021 and 2020		Revenue	Cost of sales	G&A expenses	Operating income (loss)
<b>Production (Zgounder)</b>	<b>2021</b>	<b>8,541,273</b>	<b>3,963,251</b>	-	<b>4,578,022</b>
	2020	525,062	552,585	123,282	(150,805)
<b>Exploration</b>	<b>2021</b>	-	-	-	-
	2020	-	-	-	-
<b>Corporate</b>	<b>2021</b>	-	-	<b>2,119,544</b>	<b>(2,119,544)</b>
	2020	-	-	625,826	(625,826)
<b>Consolidated</b>	<b>2021</b>	<b>8,541,273</b>	<b>3,963,251</b>	<b>2,119,544</b>	<b>2,458,478</b>
	2020	525,062	552,585	749,108	(776,631)

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 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 three months ended March 31, 2021 and March 31, 2020:

#### Revenue from silver sales

	Three-month period ended	
	March 31,	
	2021	2020
	\$	\$
Ingots	4,149,425	352,741
Silver Concentrate	4,940,001	206,017
Less: treatment, smelting and refining costs	(548,153)	(33,697)
	8,541,273	525,062

The Corporation's sales are with two clients (2020 – 2 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 three months ended March 31, 2021 and March 31, 2020:

#### Cost of sales

	Three-month period ended	
	March 31,	
	2021	2020
	\$	\$
Consumables, supplies, services, and other expenses	2,717,500	135,432
Freight outbound	133,031	56,737
Royalties	299,570	15,752
Amortization ( <a href="#">Note 4</a> )	813,150	344,664
	3,963,251	552,585

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 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 three months ended March 31, 2021 and March 31, 2020:

#### General and administrative expenses

	Three-month period ended	
	March 31,	
	2021	2020
	\$	\$
Salaries and benefits	253,269	417,918
Consulting fees	224,955	49,277
Office	78,073	29,990
Investor relations	97,146	13,262
Professional fees	319,972	196,957
Reporting issuer costs	39,049	27,343
	1,012,464	734,747

#### Finance (income) expense

	Three-month period ended	
	March 31,	
	2021	2020
	\$	\$
Fair value adjustment on option contracts	(15,931)	-
Interest income	(43,307)	(95,207)
Loss (gain) on foreign exchange	561,171	(500,888)
Interest expense	3,594	68,538
Accretion expense	56,049	3,822
	561,576	(523,735)

#### Expenses recognized for employee benefits

	Three-month period ended	
	March 31,	
	2021	2020
	\$	\$
Salaries and bonuses	880,538	753,824
Fringe benefits costs	391,100	70,153
Post-employment benefits and short-term employee benefits	28,885	20,575
Post-employment benefits from government plans	27,560	16,359
Management consulting and professional fees	137,428	-
Share-based payments (Note 12)	1,107,080	-
	2,572,591	860,911

### 17. CAPITAL MANAGEMENT

The Corporation defines capital as equity. 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

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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### 17. CAPITAL MANAGEMENT *(continued)*

- 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 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 March 31, 2021, managed capital is \$71,828,254 (\$63,392,204 as at December 31, 2020). 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 three months ended March 31, 2021.

### 18. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the three months ended March 31, 2021 and the year ended December 31, 2020. 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, accounts receivable, and investments. 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 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 March 31, 2021 and the year-ended December 31, 2020, 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 Corporation's current financial assets is the carrying value of those assets.

The Corporation is also exposed to credit risk arising from the collectability of its investment in Algold. If the Corporation is unable to close the transaction an expected credit risk allowance will have to be imputed.

#### ***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 March 31, 2021:

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 18. FINANCIAL RISK MANAGEMENT (continued)

	Carrying Amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payable & accrued liabilities (except salaries and employee benefits)	5,244,966	5,244,966	5,244,966	-	-
Interest and net profit interest due to a related party (Notes 22 & 23)	197,459	197,459	197,459	-	-
Balance of purchase price payable (Note 7)	1,151,497	1,664,620	-	-	1,664,620
Options contracts	128,530	128,530	128,530	-	-
Lease liabilities (Note 8)	279,516	279,516	96,891	155,797	26,828
	7,001,968	7,515,091	5,667,846	155,797	1,691,448

The following are the contractual maturities of financial liabilities 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 (Notes 22 & 23)	195,133	195,133	195,133	-	-
Balance of purchase price payable (Note 7)	1,238,141	1,665,825	-	-	1,665,825
Options contracts	128,723	128,723	128,723	-	-
Lease liabilities (Note 8)	316,326	316,326	134,102	97,966	84,258
	6,002,763	6,430,447	4,582,398	97,966	1,750,083

#### 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 option 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 option contracts, which represents the amount that would be received/(paid) by the Corporation if the contracts were terminated at March 31, 2021 was (\$128,530) ((\$128,723) as at December 31, 2020). As at March 31, 2021 the Corporation had cash collateral balances related to option contracts being held of \$2,492,376 (\$2,510,233 as at December 31, 2020). They are reflected as restricted cash in escrow in the condensed interim consolidated statement of financial position.

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 18. FINANCIAL RISK MANAGEMENT (continued)

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

March 31, 2021	CA Dollar	US Dollar	MAD Dirham	Total
	\$	\$	\$	\$
Cash and cash equivalents	5,994,122	5,477,774	-	11,471,896
Accounts receivable	-	3,592,019	-	3,592,019
Accounts payable and accrued liabilities	-	(5,215,291)	-	(5,215,291)
Interest and net profit interest due to a related party (Notes 22 & 23)	-	-	(197,459)	(197,459)
Balance of purchase price payable (Note 7)	-	-	(1,151,497)	(1,151,497)
	5,994,122	3,854,502	(1,348,956)	8,499,668

December 31, 2020	CA Dollar	US Dollar	MAD Dirham	Total
	\$	\$	\$	\$
Cash and cash equivalents	6,704,656	2,805,824	-	9,510,480
Accounts receivable	-	4,426,619	-	4,426,619
Accounts payable and accrued liabilities	-	(173,534)	-	(173,534)
Interest and net profit interest due to a related party (Notes 22 & 23)	-	-	(195,133)	(195,133)
Balance of purchase price payable (Note 7)	-	-	(1,238,141)	(1,238,141)
	6,704,656	7,058,909	(1,433,274)	12,330,291

The impact on net earnings and equity of a 10% increase or decrease in foreign currencies on the Corporation's financial instruments based on balances on March 31, 2021 would be approximately \$850,000 (\$1,233,000 as December 31, 2020).

### 19. FINANCIAL INSTRUMENTS

The classification of financial instruments is summarized as follows, as at March 31 2021:

Financial Assets	Classification	March 31 2021	December 31, 2020
		\$	\$
Cash and cash equivalents	Financial assets at amortized cost	29,050,874	30,533,399
Investment	Financial assets at amortized cost	8,282,134	-
Accounts receivable	Financial assets at amortized cost	3,635,703	4,458,337
Restricted cash	Financial assets at amortized cost	2,769,813	2,758,292
		43,738,524	37,750,028



# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 19. FINANCIAL INSTRUMENTS (continued)

Financial Liabilities	Classification	March 31	December
		2021	31, 2020
		\$	\$
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	5,244,966	4,124,440
Balance of purchase price payable (Note 7)	Financial liabilities at amortized cost	1,151,497	1,238,141
Interest and net profit interest due to a related party (Notes 22 & 23)	Financial liabilities at amortized cost	197,459	195,133
		<b>6,593,922</b>	<b>5,557,714</b>

Financial Liabilities	Classification	March 31	December
		2021	31, 2020
		\$	\$
Option contracts	Fair value through profit & loss	128,530	128,723
		<b>128,530</b>	<b>128,723</b>

#### Fair value of financial instruments

Current financial instruments that are not measured at fair value 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.

#### Foreign currency options contracts

Foreign currency options contracts are recognized on the Corporation's consolidated statement of financial position when the Corporation 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:

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 March 31, 2021, the following represents the classification of fair value instruments:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Option contracts	-	128,530	-	128,530

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

### 19. FINANCIAL INSTRUMENTS *(continued)*

The Corporation's foreign currency option 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.

### 20. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month period ended	
	March 31,	
	2021	2020
<b>Changes in working capital items</b>	<b>\$</b>	<b>\$</b>
Accounts receivable	870,801	854,445
Sales taxes receivable	(138,402)	88,057
Inventories	(500,924)	(609,378)
Prepaid expenses and security deposits	119,903	(11,766)
Accounts payable and accrued liabilities	798,508	354,074
Current income tax payable	361,100	-
Net profit interest payable to a related party	-	14,361
Non-refundable deposits to suppliers	33	(9,172)
	<b>1,511,019</b>	<b>680,621</b>

### 21. EARNINGS 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 period. Diluted net earnings or loss per share adjusts basic net earnings per share for the effects of potential dilutive common shares such as options and warrants. The calculations for basic and diluted earnings per share for the three-month ended March 31, 2021 are as follows:

	Three-month period ended	
	March 31,	
	2021	2020
<b>Earnings per share</b>	<b>\$</b>	<b>\$</b>
Net earnings (loss) for the period	819,670	(435,733)
Weighted average number of shares – basic	94,150,765	79,548,510
Impact of dilutive securities		
Broker warrants	279,636	-
Regular warrants	4,402,850	-
Stock options	38,815	-
Weighted average number of shares – diluted	98,872,066	79,548,510
Earnings per share – basic	0.009	(0.005)
Earnings per share – diluted	0.008	(0.005)

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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### 22. COMMITMENTS AND GUARANTEES

In addition to the commitments disclosed in Notes 7-9, the Corporation has the following commitments regarding its properties:

#### *Royalties*

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

- 2.5% net smelter royalty ("NSR") 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 2,657,314 dirhams (\$299,570) for the three-month period ended March 31, 2021 (3,928,076 dirhams \$416,486 for the year ended December 31, 2020); and
- 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 agreement is subject to a dispute following the departure of the former CEO.

### 23. RELATED PARTY TRANSACTIONS

During the three-month period ended March 31, 2021 and the year ended December 31, 2020 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 \$nil recorded as professional fees (2020 - \$99,688). As at March 31, 2021, \$1,497 (December 31, 2020 - \$1,479) 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 \$nil recorded as professional fees (December 31, 2020 - \$66,599). As at March 31, 2021, \$68,476 (December 31, 2020 - \$80,527) 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 (2020 - \$nil). As at March 31, 2021, \$197,459 (December 31, 2020 - \$195,133) 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 \$nil (December 31, 2020 - \$69,848) and \$2,213 in general and administrative fees (December 31, 2020 - \$3,686). As at March 31, 2021, \$nil (December 31, 2020 - \$693) 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 \$90,754 (December 31, 2020 - \$324,881) and general and administrative fees of \$11,718 (December 31, 2020 - \$33,327). As at March 31, 2021, \$54,399 (December 31, 2020 - \$190,953) was due to that company.
- A consulting company, of which an officer of the Corporation is the sole owner, charged professional

# Aya Gold & Silver Inc.

## Notes to Condensed Interim Consolidated Financial Statements

March 31, 2021 (Unaudited, in United States dollars unless otherwise noted)

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### 23. RELATED PARTY TRANSACTIONS *(continued)*

fees amounting to \$37,960 recorded as professional fees (December 31, 2020 - \$78,861). As at March 31, 2021, \$7,407 (December 31, 2020 - \$19,043) was due to that company.

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

Key management included members of the Board of Directors and executive officers of the Corporation. During the three-month period ended March 31, 2021 and March 31, 2020, the remuneration awarded to key management personnel (including the amounts above) is as follows:

	Three-month period ended	
	2021	March 31, 2020
	\$	\$
Salaries and benefits	71,988	390,107
Management consulting and professional fees	137,428	-
Director fees	78,957	-
Share-based compensation	729,834	-
	<b>1,018,207</b>	390,107

As at March 31, 2021, \$397,050 (December 31, 2020 - \$405,451) is included in accounts payable and accrued liabilities related to the former CEO's severance. As at March 31, 2021, \$77,028 (December 31, 2020 - \$107,510) in directors' fees are unpaid.