



# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six-month  
periods ended June 30, 2023



## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management’s Discussion and Analysis (“MD&A”) of the operations, results, and financial position of Aya Gold & Silver Inc. (“Aya”) and its subsidiaries (together the “Corporation”), dated August 10, 2023, covers the three and six-month periods ended June 30, 2023 and should be read in conjunction with the Corporation’s unaudited condensed interim consolidated financial statements and related notes for the three and six-month periods ended June 30, 2023 and the audited consolidated financial statements and related notes for the year ended December 31, 2022.

The Corporation’s June 30, 2023 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. The unaudited condensed interim consolidated financial statements and the financial information contained in this MD&A reflect management’s best estimates and judgment based on information currently available. All amounts are stated in thousands of United States dollars (“US”), except for per share amounts, unless otherwise indicated. References to “C\$” are to the Canadian dollar.

This MD&A contains forward-looking information that is subject to risk factors set out in a cautionary note in this MD&A under “Cautionary Statement Regarding Forward-Looking Information”. All information contained in the Corporation’s unaudited condensed interim consolidated financial statements and this MD&A has been reviewed by the Audit Committee and approved by the Corporation’s Board of Directors. This MD&A is current as of August 10, 2023, unless otherwise stated.

## DESCRIPTION OF THE BUSINESS

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Aya Gold & Silver Inc. 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 100% 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, Zgounder Regional and Imiter bis properties. On June 28, 2023, the Corporation acquired the Tirzzit Project (“Tirzzit”), a collection of seven permits located 25 kilometers from the Zgounder property. These properties are located in the Kingdom of Morocco. Aya also owns 75% of the Tijirit project located in Mauritania.

Aya was incorporated under the Canada Business Corporations Act; its financial year-end is December 31, and it trades on the Toronto Stock Exchange under the symbol “AYA” and on the OTCQX under the symbol “AYASF”. Aya’s issued and outstanding share capital totals 118,126,350 common shares on August 10, 2023. The Zgounder Silver Mine is in operation while all other projects are at the exploration and evaluation stage.





## Q2-2023 QUARTER HIGHLIGHTS

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### Operational and Financial:

- Strong operational quarter:
  - Silver production of 526,703 ounces (“oz”) in Q2-2023 compared to 459,061 oz in Q2-2022.
  - Ore processed increased to 72,190 tonnes (“t”) in Q2-2023 compared to 59,995t in Q2-2022.
  - 103,231t of ore mined in Q2-2023 for an average of 1,134 tonnes per day (“tpd”), on schedule for mine ramp up.
- Revenue of \$9.6 million in Q2-2023, a 12% increase from Q2-2022.
- Cash cost per silver ounce sold of \$10.98 in Q2-2023 compared to \$10.95 in Q2-2022 <sup>(1)</sup>.
- Robust financial position with \$52 million of cash, cash equivalents and restricted cash as at June 30, 2023, compared to \$42 million as at December 31, 2022 <sup>(2)</sup>.
- Settled dispute with previous CEO and related Net-Profit Interest (“NPI”) agreement, resulting in the termination of the NPI.

### Exploration and Development:

- Completed 12,424 meters (“m”) of drilling at Zgounder in Q2-2023.
- Conducted 4,634m of diamond drill hole (“DDH”) drilling on Zgounder Regional returning anomalous zinc (“Zn”), copper (“Cu”), and silver (“Ag”) intercepts.
- Completed 18.7 kilometers (“km”) of the 36km DDH program at Boumadine, extending the strike by 400m towards the south for a total of 3.8km and remaining open in all directions.
- Acquired Tirzzit historical copper mine including seven permits within a property of 67.7km<sup>2</sup>, for \$4.7 million.

### Zgounder Expansion:

- Overall project 45% complete and tracking on budget.
- Underground development on track, with 65% of lateral and 42% of vertical development completed.
- Completed detailed engineering, ball mill and crushing equipment on schedule.
- Mobilised open-pit contractor, commenced in-pit stripping, and produced first ore.
- Continued construction of the new tailings and water storage facilities on schedule.

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<sup>(1)</sup> Non-GAAP Measures, refer to page 15.

<sup>(2)</sup> Non-GAAP Measures, consisting of cash and cash equivalents of \$49,568 and restricted cash of \$2,541 (December 31, 2022, balances of \$39,360 and \$2,489 respectively).

## Q2-2023 AND H1-2023 OPERATIONAL AND FINANCIAL HIGHLIGHTS

Key Performance Metrics	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2023	2022	Variation	2023	2022	Variation
<b>Operational</b>						
Ore Mined (tonnes)	103,231	62,221	66%	184,133	123,588	49%
Ore Processed (tonnes)	72,190	59,995	20%	144,928	121,996	19%
Average Processed Grade (g/t Ag)	265	273	(3%)	250	232	8%
Mill Recovery (%)	87.3%	87.9%	(<1%)	87.2%	84.2%	3%
Silver Ingots Produced (oz)	202,559	219,762	(8%)	371,207	343,098	8%
Silver in Concentrate Produced (oz)	324,144	239,299	35%	630,309	424,308	49%
<b>Total Silver Produced (oz)</b>	<b>526,703</b>	<b>459,061</b>	<b>15%</b>	<b>1,001,516</b>	<b>767,406</b>	<b>31%</b>
Silver Ingots Sold (oz)	164,707	196,556	(16%)	314,622	396,056	(21%)
Silver in Concentrate Sold (oz)	287,816	242,524	19%	646,105	449,832	44%
<b>Total Silver Sales (oz)</b>	<b>452,523</b>	<b>439,080</b>	<b>3%</b>	<b>960,727</b>	<b>845,888</b>	<b>14%</b>
Avg. Net Realized Silver (\$/oz)	21.26	19.53	9%	20.89	20.97	(<1%)
Cash Costs per Silver Ounce Sold <sup>(3)</sup>	10.98	10.95	<1%	12.87	13.28	(3%)
<b>Financial</b>						
Revenues	9,621	8,574	12%	20,065	17,736	13%
Cost of sales	6,876	5,811	18%	15,236	12,946	18%
Gross Margin	2,745	2,763	(1%)	4,829	4,790	1%
Operating (Loss) Income	(36)	506	(107%)	(120)	254	(147%)
Net (Loss) Earnings	(525)	725	(172%)	536	(1,238)	(143%)
Operating Cash Flows	3,674	1,100	234%	7,738	309	2,404%
Cash and Restricted Cash <sup>(4)</sup>	52,109	67,945	(23%)	52,109	67,945	(23%)
<b>Shareholders</b>						
Earnings (Loss) per Share – basic	(0.00)	0.01	NM	0.00	(0.01)	NM
Earnings (Loss) per Share – diluted	(0.00)	0.01	NM	0.00	(0.01)	NM
<b>*NM – Not Meaningful</b>						

<sup>(3)</sup> The Corporation reports non-GAAP measures, including cash costs per silver ounce, which are widely used in the mining industry as a benchmark for performance, but do not have a standardized meaning and the methods used by the Corporation to calculate such measures may differ from methods used by other companies with similar descriptions. See “Non-GAAP Measures” on page 15 for a reconciliation of non-GAAP to GAAP measures.

<sup>(4)</sup> Non-GAAP Measures, consisting of cash and cash equivalents of \$49,568 and restricted cash of \$2,541 as of June 30, 2023, compared with balances of \$65,449 and \$2,496 respectively as of June 30, 2022.

## Q2-2023 Operational Highlights

- Quarterly silver production of 526,703 oz, comprising 324,144 oz as silver concentrate and 202,559 oz as silver ingots.
- Mill average feed grade of 265 grams per tonne (“g/t”) Ag was recorded in Q1-2023 compared to 273 g/t Ag in Q2-2022, a decrease of 3%.
- Milling operations reached 793 tpd, surpassing design capacity of 700 tpd.
- Average combined mill recovery of 87.3% in Q2-2023 compared to 87.9% in Q2-2022, a decrease of 0.6%.
- Plant availabilities reached 93.4% and 96.6% for the flotation and cyanidation plants, respectively.
- 103,231 tonnes of ore were mined in Q2-2023 for an average of 1,134tpd mined compared to 62,221 tonnes (684 tpd) in Q2-2022. Mining ramp up is on schedule as per plan.
- A total of 12,424m of drilling (including definition drilling) was completed on the Zgounder mine permit in Q2-2023, 4,634m on Zgounder Regional permits and 18,695m on Boumadine.
- Cost of sales of \$6,876 (Q2-2022 – \$5,811) with an average cash cost <sup>(5)</sup> per oz of \$10.98 in Q2-2023 compared to \$10.95/oz in Q2-2022.

## Q2-2023 Financial Highlights

- Revenue from silver sales totaled \$9,621 (Q2-2022 – \$8,574) in Q2-2023, an increase of 12% representing an average realized price of \$21.26 per oz. (Q2-2022 - \$19.53/oz).
- Operations generated a gross margin of \$2,745 in Q2-2023 compared to \$2,763 in Q2-2022, a decrease of 1%.
- Net loss was \$(525) (diluted EPS of (\$0.00)) in Q2-2023, compared to net earnings of \$725 (diluted EPS of \$0.01 in Q2-2022).
- Cash flow generated by operating activities of \$3,674 in Q2-2023, compared to \$1,100 generated in operating cash flow in Q2-2022.

## H1-2023 Operational Highlights

- Silver production totaled 1,001,516 oz, of which 630,309 oz as silver concentrate and 371,207 oz as silver ingots, in H1-2023. The 31% increase compared with the silver ounces produced in H1-2022, is a direct result of the higher mining rate, mill throughput and recovery rate.
- Mill average feed grade of 250 g/t Ag was recorded in H1-2023 compared to 232 g/t Ag in H1-2022, an increase of 8%.
- Milling operations averaged 801 tpd in H1-2023 compared to 659 tpd in H1-2022, an increase of 22%. Combined mill recovery averaged 87.2% in H1-2023 compared to 84.2% in H1-2022, an increase of 3%.
- 8,740m of DDH were completed on the Zgounder mine permit in H1-2023.
- Cost of sales of \$15,236 (2022 – \$12,946) with an average cash cost per silver ounce sold of \$12.87/oz in H1-2023 compared to \$13.28/oz in H1-2022 <sup>(6)</sup>.

## H1-2023 Financial Highlights

- Revenue from silver sales for H1-2023 totaled \$20,065 (H1-2022 – \$17,736), an increase of 13% representing an average realized price of \$12.87 per oz. (H1-2022 - \$13.28/oz).
- Operations generated a gross margin of \$4,829 in H1-2023 compared to \$4,790 in H1-2022, an increase of 1%.
- Net income was \$536 (diluted EPS of \$0.00) in H1-2023, compared to a net loss of \$(1,238) (diluted EPS of \$(0.01) in H1-2022).
- Cash flow generated by operating activities of \$7,738 in H1-2023, compared to \$309 generated in operating cash flow for H1-2022.

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<sup>(5)</sup> Non-GAAP Measures, refer to page 15.

<sup>(6)</sup> Non-GAAP Measures, refer to page 15.

## Acquisition of Tirzzit

On June 28, 2023, the Corporation acquired Tirzzit, a collection of seven permits located 25 kilometers from the Zgounder Silver Mine in the Kingdom of Morocco.

The Corporation issued 622,728 of its shares at C\$8.36 (having a value of \$3,936) and paid \$800 in cash for a total consideration of \$4.7 million.

Management concluded that Tirzzit does not meet the definition of a business, and consequently the transaction was accounted for as an asset acquisition. The assets acquired include seven permits within a property of 67.7 square km, comprising five exploration permits and two mining licenses, one of which hosts a high-grade historical copper mine.

The transaction remains subject to administrative procedures in the Kingdom of Morocco.

## January Corporate Financing

On January 25, 2023, the Corporation closed a bought deal public financing and issued 11,151,550 common shares of the Corporation at a price of C\$8.25 per common share for gross proceeds of C\$92 million (\$68.8 million). The common shares were issued by way of a prospectus supplement, filed on January 19, 2023 in each Canadian province, to the short form base shelf prospectus dated January 12, 2023. The Corporation paid a total of \$4.1 million in commissions, legal, filing, and other fees. The proceeds from the financing are intended for the expansion of the Zgounder Mine, for advancement of its exploration programs at Zgounder, Zgounder Regional and Boumadine, and for general corporation purposes.

## Project Facility for Zgounder Silver Mine Expansion

On January 19, 2023, the Corporation entered into a credit agreement for a secured financing facility with the European Bank for Reconstruction and Development (“EBRD”) (“the Facility”) to provide financing for the construction of the 2,000 tpd process plant for the Zgounder Silver Mine of up to \$100,000. The Facility consists of a \$92 million loan provided by the EBRD and an \$8 million tranche (pari-passu with the EBRD) by the Climate Investment Funds (“CTF”), managed by the EBRD.

Key terms of the loan agreement include:

- \$92 million loan provided by EBRD
- \$8 million term-loan provided by CTF. Interest rate is equal to the all-in rate at the time of signing reduced following achievement of three milestones:
  - Milestone 1: Task Force on Climate-related Financial Disclosures (“TCFD”) report disclosed by end of 2023 will result in a 25% rate reduction;
  - Milestone 2: Completion of certain capital expenditure set out in the TCFD report and in the development plan by end of 2024 will result in a 50% rate reduction;
  - Milestone 3: Reaching “advanced” maturity on the TCFD’s Climate Governance and Strategy recommendation will result in reduction of interest to an all-in rate of 1.00%.
- 6-year maturity from signing:
  - 2-year principal grace period
  - 24-month availability period
- 6-month SOFR (0% floor) + 5.00%:
  - CTF tranche can reduce to all-in rate of 1.00% following certain actions (see milestones above)
  - Interest and capital paid twice yearly
  - Commitment fee representing 30% of margin for undrawn amounts during the availability period
- Cost overrun account of \$18 million funded prior to first drawdown, debt service reserve account of \$16.3 million to be funded at the end of the grace period
- Drawdowns available upon satisfaction of certain customary conditions precedent
- Security over all the Corporation’s assets

- No mandatory silver hedging, offtakes, production-linked payments or equity issuances as part of its structure
- The funds are available for a period of 24 months and a commitment fee representing 30% of the 5% margin for undrawn amounts during the availability period must be paid to EBRD.

During the three and six-month periods ended June 30, 2023, a commitment fee of \$379 and \$675 respectively was recorded under property plant and equipment as borrowing costs.

During the three and six-month periods ended June 30, 2023, the Corporation paid \$750 and \$2,500 respectively in underwriting and front-end commission and \$453 in loan related fees. These fees were recorded as deferred financing fees.

As at June 30, 2023, no amount was drawn under the Facility.

## **OPERATING RESULTS**

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In Q2-2023, the Zgounder Mine operations team focused on the ramp-up of the underground mine, completing mobilization of the open pit contractor and finalizing the open-pit definition drilling program. The underground ramp-up was particularly productive, reaching a peak of 1,283 tpd in June and an average mining rate of 1,163 tpd.

The 1,950m underground level is now fully operational, and access to the 1,925m level is in construction. Open-pit stripping commenced in June with two successful blasts, and ore production occurred in July.

In Q2-2023, 103,231t of ore was mined and 72,190t were processed, adding over 30kt of ore in inventory, in line with the 2024 commissioning plan. Steady throughput, recovery and availability of both plants resulted in total silver production of 526,703 oz Ag. Combined silver recovery reached 87.3%, while combined mill availability reached 95.0%. The mill feed grade averaged 265 g/t Ag in the quarter.

The quarter saw completion of the new emergency response and mine rescue station as well as on-site delivery of mine rescue equipment and an emergency vehicle. Consequently, training for the mine rescue and emergency response teams has been scheduled in the second half of the year. Over 4,075 hours of training were dispensed in H1-2023, a 150% increase compared to H1-2022 which reflects the Corporation's commitment to enhancing the health and safety culture at Zgounder.



**Figure 1: New mine rescue vehicle at Zgounder Mine site**



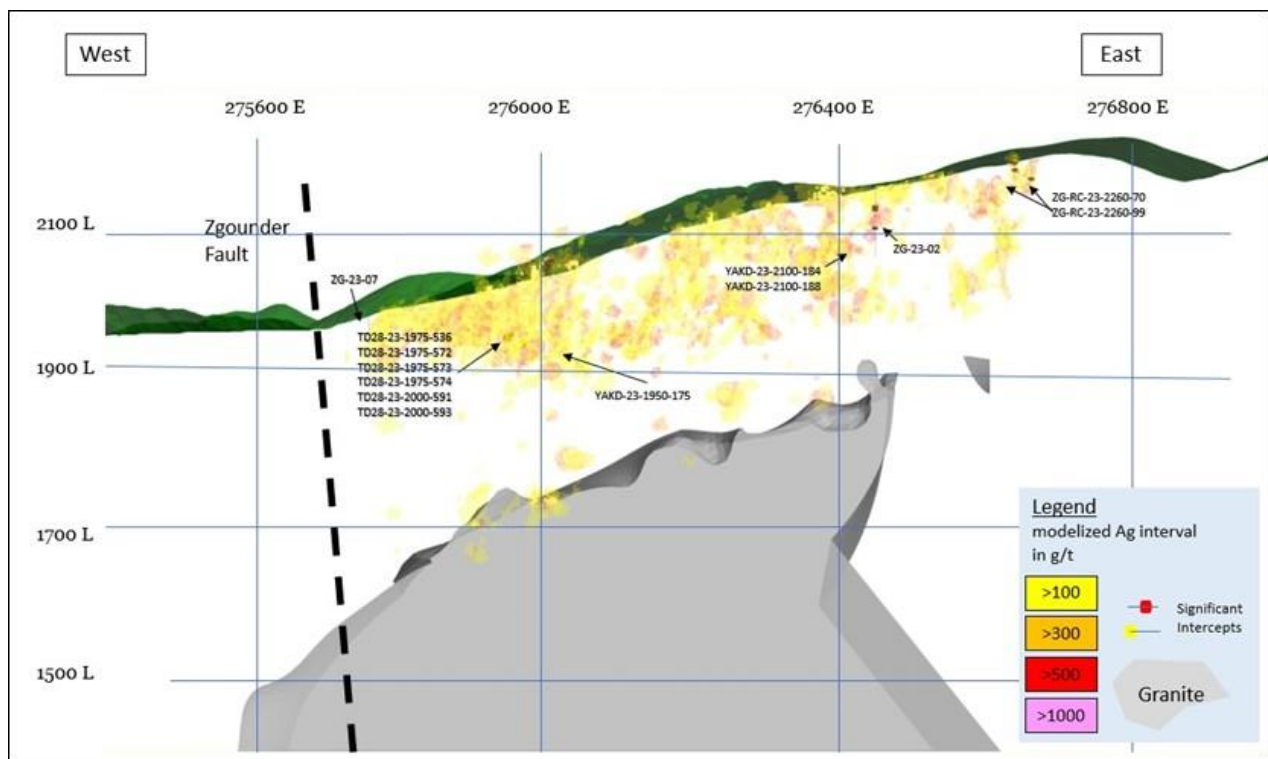


Figure 2: Location of DDH Results at Zgounder

### Capital Projects

Capital projects in Q2-2023 were primarily related to the mine expansion, particularly definition drilling for the open pit and underground levels, to further define stopes and open-pit benches for the production ramp-up. Capital was also continuously allocated to the existing tailings storage facility as per our plan.

## DEVELOPMENT & EXPLORATION

### Zgounder Exploration

In Q2-2023, drilling at Zgounder focused on delineating near-mine targets both laterally and at depth. A total of 12,424m of DDH and reverse circulation (“RC”) drilling was conducted on Zgounder (exploration and definition drilling) including T28 and YAK underground drilling. At quarter-end, two underground rigs were active on the property, and the 26,000m DDH program was 17% complete. Given that development of the 1,950m level is complete and the 1,925m level is near-complete, the exploration program is expected to be expedited in H2-2023.

Notably, surface RC drill hole ZG-RC-23-2260-70 intersected 1,611 g/t Ag over 27m including 4,771 g/t Ag over 5.0m, confirming ongoing high-grade mineralization in the open-pit area. Furthermore, hole ZG-23-02 returned 1,753 g/t Ag over 6.5m, defining high-grade mineralization from surface in the east outside of the resource envelope.

### Zgounder Regional

In H1-2023, a total of 8,582m were drilled on the Zgounder Far West, Tala and Izza areas of the Zgounder Regional permits. Preliminary results released at the end of May returned anomalous Zn, Cu and Ag values that will be drill tested in parallel to new zones. Hole ZGW-22-06 in the Zgounder Far West intercepted 1.22% Zn over 85.5m including 1.91% Zn over 5.0m. In the Tala area, hole AM-22-001 intercepted 0.93% Cu over 6.0m including 1.27% Cu over 3.0m.

The technical information relating to the Zgounder and Zgounder Regional properties was reviewed and approved by David Lalonde, B. Sc, Head of Exploration, designated as a Qualified Person under National Instrument 43-101.

## Zgounder Construction

On February 22, 2022, the Corporation completed a feasibility study to expand the Zgounder Silver Mine from 700 tpd to 2,700 tpd capacity. At the end of Q2-2023, construction of the plant and surface infrastructure continued to track budget. Overall, the expansion project was 45% complete, compared to 32% at last quarter-end.

Construction of the processing plant was 40% complete, with engineering near-complete and procurement well advanced. Earthworks were completed, and most concrete foundations poured in Q2-2023. Delivery of several long lead equipment items are expected on site in Q3-2023, including the ball mill.

Underground development continued to advance strongly in Q2-2023. Over 6,500m of lateral and ramp accesses have now been completed, representing 65% of the planned lateral infrastructure. Most levels between 1,925m and 2,100m are now connected to the underground ramp. The main ventilation shaft has been completed, and installation of primary fans is planned for Q3-2023. To date, 253m of vertical raises have been completed, 42% of the total development. In June, the open pit contractor was mobilized, and open pit operations commenced. Overall, open pit and underground mine development are 47% advanced.

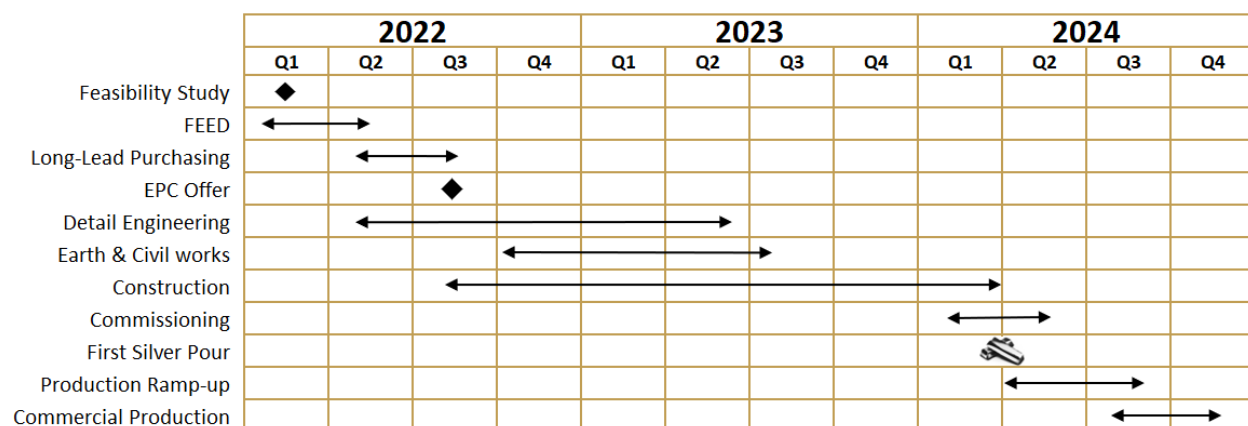


**Figure 3: Completion of civil work for the ventilation shaft and equipment**

At quarter-end, construction of the tailing storage facility was progressing well and was 55% complete. The two water storage basins were 74% complete with only the lining installation remaining, in time for the rainy season. Other infrastructures, such as the camp, roads, workshops, and warehouses, were 55% completed. Furthermore, the powerline and electrical substations progressed to 27% completion.

At the end of Q2-2023, \$132 million had been committed across all capital cost categories, and \$54 million had been incurred. The Aya project team remains confident of completing the project within the original budget of \$159 million including contingency.

The figure below presents the planned timeline for the project expansion.



**Figure 4: Zgounder expansion project execution simplified Gantt chart**

The table below presents the construction progress by main project area:

Area	Progress
Process Plant	40%
Underground and Open-Pit Mines	47%
Tailings	55%
Water management	74%
Electrical Infrastructure	27%
On-site Infrastructure	55%

## Boumadine Development

Five drill rigs were active on the Boumadine property throughout Q2-2023 with a total of 31,395m drilled in H1-2023. The 2023 drill program, which was 85% complete at quarter-end, was completed in July. The aim of the infill and exploration drilling was to explore and extend the strike along the main trend in the Central and South Zones. In early July, results from Q2-2023 drilling were released, confirming the extension of the main trend mineralization by 400m to 3.8km in strike to the south with BOU-DD23-125, BOU-DD23-136 and BOU-DD23-142 intersecting high-grade mineralization in the form of massive sulphide veins (see Figure 6).

In parallel, results from surface detailed mapping were received in Q2-2023 which identified a new at-surface northwest zone at Boumadine. The surface samples returned values up to 460 g/t AgEq along a 1.5km structure of N030 orientation, demonstrating the potential outside of the Boumadine Main Trend (see Figure 7). The mapping revealed two major sets of faulting events: a N030 faulting event that cross-cut Boumadine Main Trend (N340) and may be responsible for the Au-Zn enrichment of the mineralization; and a N070 fault event cutting both N340 and N070 structures which seem responsible for the Ag-Pb enrichment. A total of 127 surface grab samples were also taken, with 36 still pending results.

The quarter saw a first site visit by RSC Consulting Limited, which has been mandated to conduct a NI 43-101-compliant mineral resource estimate of Boumadine. Furthermore, an on-site sample preparation laboratory was commissioned on the project site, which will greatly improve sample turnaround times.



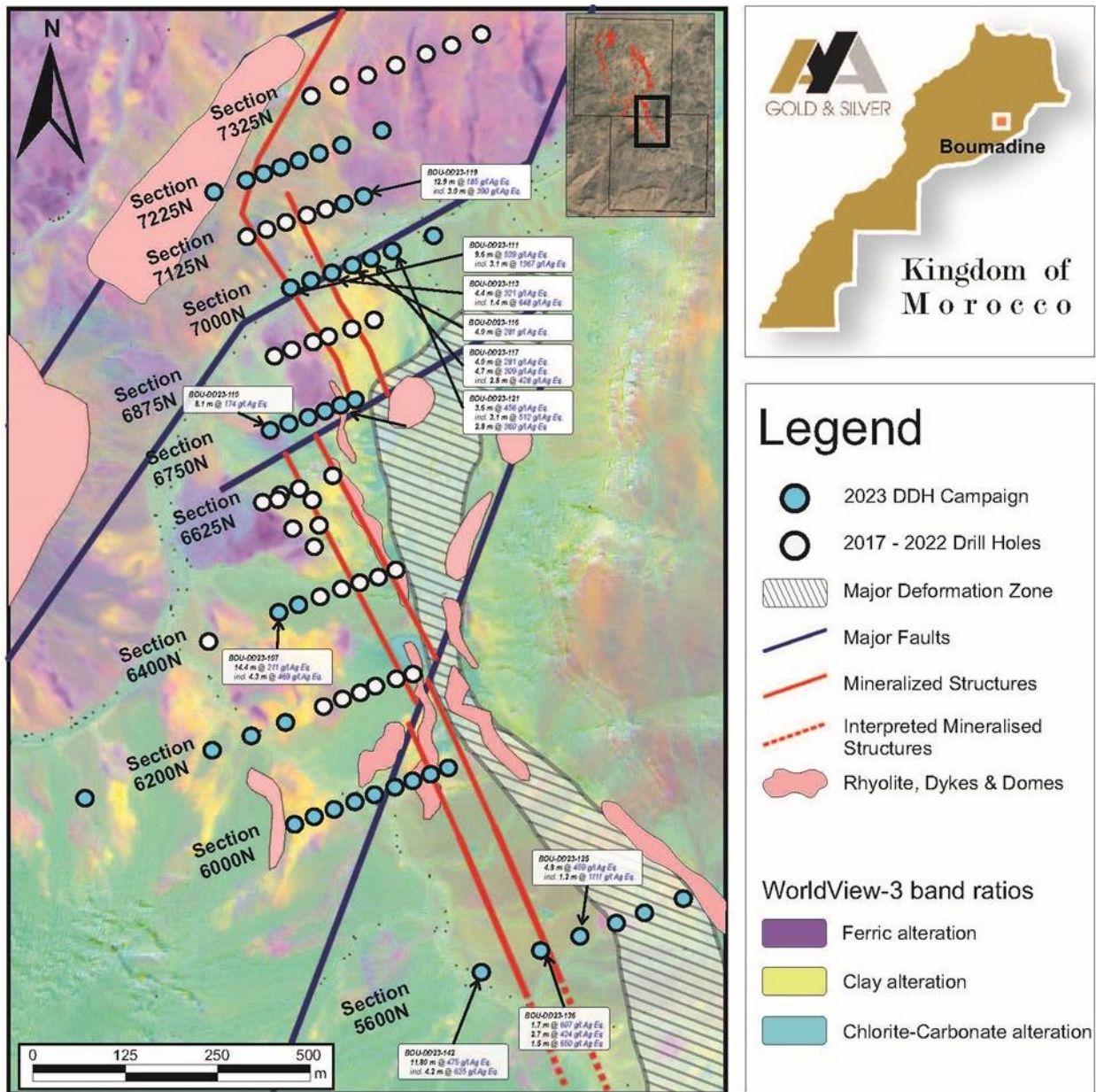
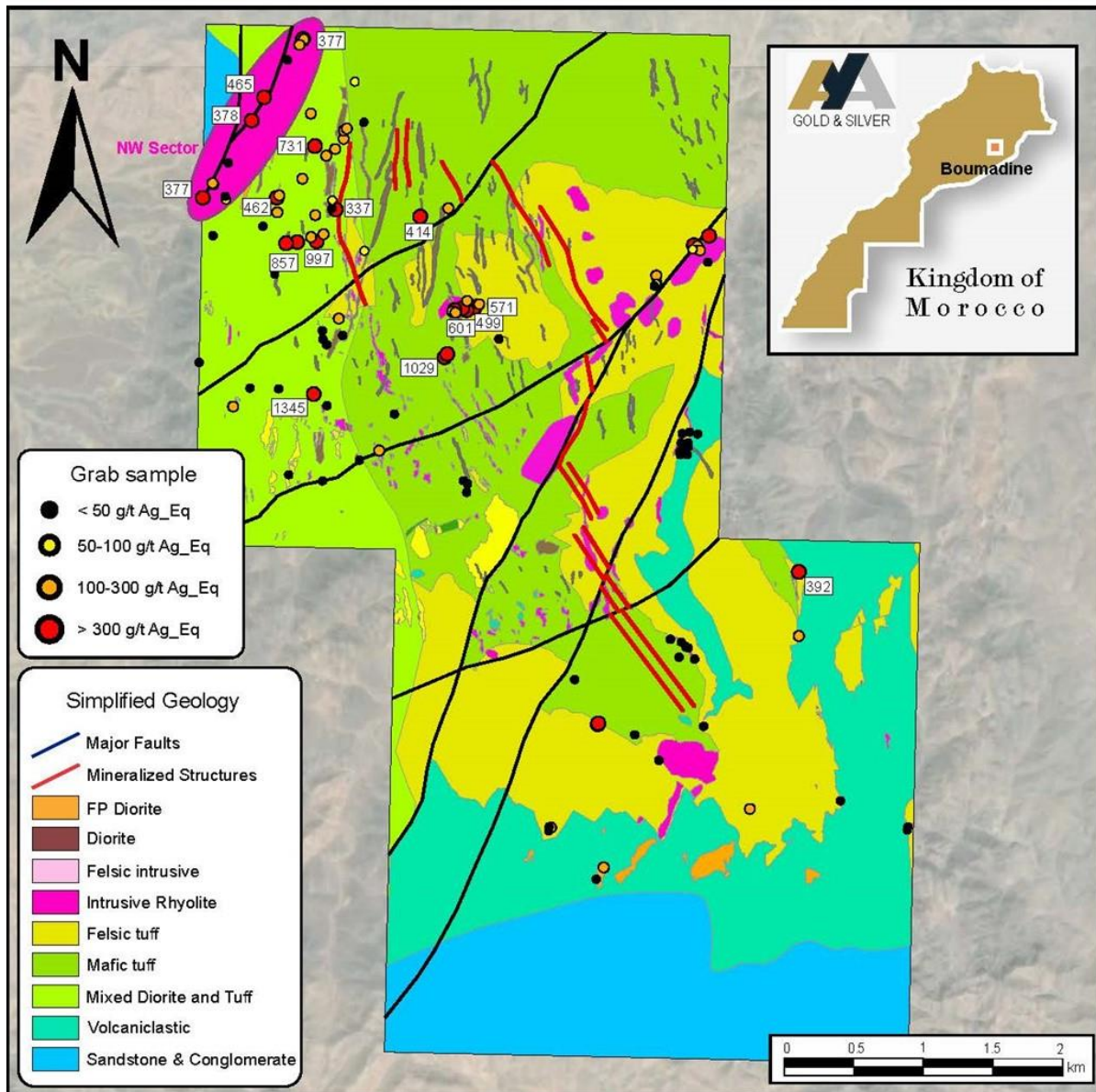


Figure 5: Surface Plan of the Boumadine South Zone with 2023 DDH Results





**Figure 6: Surface Plan of the Boumadine South Zone with 2023 DDH Results**

The technical information relating to the Boumadine Project was reviewed and approved by David Lalonde, B. Sc, Head of Exploration, designated as a Qualified Person under National Instrument 43-101.

### Tijirit Development

Following the acquisition of Algold in June 2021, the Corporation launched a feasibility study (“Tijirit FS”) to assess the potential for developing Tijirit. Several globally recognised engineering consultants including Lycopodium Minerals Canada, SGS Canada Inc., DRA Americas Inc., and GCIM have been mandated to complete the Tijirit FS.

The Tijirit FS, which will initially focus on the Eleonore and Eleonore East deposits, includes a base case scenario of a 1,000 tpd processing plant that can be expanded to 2,000 tpd. Most crucial elements of the FS were completed in Q2-2023, notably the 25,000m DDH and RC drilling. An updated NI-43-101 mineral resource estimate is currently being compiled and will be included in the Tijirit FS.

## OVERVIEW OF FINANCIAL PERFORMANCE

For the three and six-month periods ended June 30, 2023, and 2022 (in thousands of dollars):

	Three-month periods ended June 30,			Six-month periods ended June 30,		
	2023	2022	Variance	2023	2022	Variance
<b>Revenues</b>	<b>9,621</b>	<b>8,574</b>	<b>12%</b>	<b>20,065</b>	<b>17,736</b>	<b>13%</b> (1)
Cost of sales	6,876	5,811	18%	15,236	12,946	18%
<b>Gross Margin</b>	<b>2,745</b>	<b>2,763</b>	<b>(1%)</b>	<b>4,829</b>	<b>4,790</b>	<b>1%</b> (3)
General and administrative expenses	1,909	1,315	45%	3,395	2,697	26%
Share-based payments	872	942	(7%)	1,554	1,839	(15%)
<b>Operating earnings</b>	<b>(36)</b>	<b>506</b>	<b>(107%)</b>	<b>(120)</b>	<b>254</b>	<b>(147%)</b>
Net finance income (expense)	839	971	(14%)	2,784	(229)	(1,316%)
<b>Net income (loss) before income taxes</b>	<b>803</b>	<b>1,477</b>	<b>(46%)</b>	<b>2,664</b>	<b>25</b>	<b>NM</b>
Income tax expense	1,328	752	77%	2,128	1,263	68%
<b>Net (loss) income for the period</b>	<b>(525)</b>	<b>725</b>	<b>(172%)</b>	<b>536</b>	<b>(1,238)</b>	<b>(143%)</b> (8)
Income (loss) per share (basic and diluted)	(0.00)	0.01	NM	0.00	(0.01)	NM

NM – Not Meaningful

### Three-month period ended June 30, 2023, compared to the three-month period ended June 30, 2022

- Revenues** totaled \$9,621 in Q2-2023 compared to \$8,574 in Q2-2022, driven by an increase in the average net realized silver price per oz of \$21.26/oz (\$19.53/oz in Q2-2022), in addition to an overall increase in silver sold of 452,690 oz in Q2-2023 compared to 439,080 oz in Q2-2022.
- Cost of sales** in Q2-2023 increased by 18% relative to Q2-2022, driven by an increase in depreciation expense of \$2,588 in Q2-2023 compared with \$1,602 for Q2-2022 as several production assets were put into service at the end of Q1-2023.
- Gross margin** decreased by 1% in Q2-2023, driven primarily by the increase in cost of sales and partially offset by an increase of sales volume and average silver sales price.
- General and administrative expenses** were 45% higher in Q2-2023 compared with Q2-2022. The increase is mainly attributed to salaries and benefits which amounted to \$797 compared with \$224 respectively, in Q2-2022. The Corporation now has multiple projects in Morocco and one in Mauritania and, as such, G&A expenses increased in order to manage these projects. Furthermore, Tijirit has moved from a technical execution phase to a more administrative phase which requires more G&A related costs to manage its affairs.
- Share-based payments** represent the cost of options, restricted share units and deferred share units over the vesting period that the Corporation awarded to certain employees, directors, and officers, resulting in a non-cash expense of \$872 in Q2-2023. There were no stock option grants in Q2-2023.
- Net finance income (expense)** was 14% lower in Q2-2023 than in Q2-2022 due to the foreign exchange gain declining from \$850 in Q2-2022 to \$295 in Q2-2023. The decrease was partially offset by an increase in interest income which amounted to \$620 in Q2-2023 compared to \$59 in Q2-2022 due to a higher cash balance and a higher interest rate on accounts.
- Income tax expense** in Q2-2023 was 77% higher than in Q2-2022 due to an increase in net taxable income at our Moroccan operating entity and an increase in the tax rate of 3.5% in 2023.
- As a result of the foregoing, a **net loss** of \$(525) (diluted EPS of (\$0.00)) was recorded in Q2-2023 compared to net income of \$725 (diluted EPS of \$0.01) in Q2-2022.

### Six-month period ended June 30, 2023, compared to the six-month period ended June 30, 2022

1. **Revenues** totaled \$20,065 in H1-2023 compared to \$17,736 in H1-2022, representing a 13% increase in H1-2023. The increase is largely due to the volume of silver sold which increased by 14% from 845,888 oz in H1-2022 to 960,727 oz in H1-2023.
2. **Cost of sales** were 18% higher in H1-2023 than in H1-2022. The main reason for the increase in cost of sales is attributable to an increase of 50% in depreciation, which amounted to \$4,350 in H1-2023 compared to \$2,903 in H1-2022. The increase is also explained by an increase in operations costs associated with preparation for the expansion, mine ramp up and efforts in health and safety.
3. **Gross margin** was 1% higher in H1-2023 than in H1-2022. It was affected positively by the increase in the volumes of sales, partially offset by an increase in the cost of sales.
4. **General and administrative expenses** were up significantly, in large part because of the increase in personnel as the Corporation continues to build out operations, exploration and development teams. The Corporation now has multiple projects in Morocco and one in Mauritania and, as such, G&A expenses increase in order to manage these projects. Furthermore, Tijirit has moved from a technical execution phase to a more administrative phase, which requires more G&A related costs to manage its affairs.
5. **Share-based payments** represent the vesting of options that the Corporation awarded to certain employees, directors, and officers, resulting in an additional expense of \$1,554 in H1-2023. The Corporation awarded 406,758 Restricted Share Units and 71,689 Deferred Share Units in H1-2023 as part of its annual grant program to employees and directors. There were no stock option grants during H1-2023
6. **Net finance income (expense)** in H1-2023 was significantly higher than in H1-2022 mainly due to recognition of a foreign exchange gain of \$1,608 in H1-2023 compared to a foreign exchange loss of \$198 in H1-2022 due to the appreciation of the Moroccan Dirham against the Canadian dollar on advances made in C\$ to Moroccan subsidiaries. In addition, there was an increase in interest income in H1-2023, which amounted to \$1,165 compared to \$180 in H1-2022, due to a higher cash balance and a higher interest rate on accounts.
7. **Income tax expense** in H1-2023 was 68% higher than in H1-2022 due to an increase in taxable income of our Moroccan operating entity and an increase in the tax rate of 3.5% in 2023.
8. As a result of the foregoing, a **net income** of \$536 (diluted EPS of \$0.00) was recorded in H1-2023 compared to a net loss of \$(1,238) (diluted EPS of \$(0.01)) in H1-2022.

### SUMMARY OF QUARTERLY RESULTS

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#### Selected Quarterly Information

	Revenues	Net profit (loss)	Net profit (loss) per share (diluted)
Quarter ended	\$	\$	\$
June 30, 2023	9,621	(525)	(0.00)
March 31, 2023	10,443	1,069	0.01
December 31, 2022	13,322	1,963	0.02
September 30, 2022	7,187	672	0.01
June 30, 2022	8,574	725	0.01
March 31, 2022	9,163	(1,962)	(0.02)
December 31, 2021	8,025	(1,086)	(0.01)
September 30, 2021	7,862	1,288	0.01

Revenues in Q2-2023 decreased by 8% from Q1-2023 mainly due to the decrease in sales volume in Q2-2023 to 452,523 oz compared with 508,204 in Q1-2023, resulting in a net loss of \$525 compared to a net profit of \$1,060 in Q1-2023.

Revenues in Q1-2023 decreased by 22% from Q4-2022 due to a 24% decrease in the sales volume to total 508,204 oz sold in Q1-2023, compared to 669,506 oz sold in Q4-2022. The net profit was negatively affected by the cash cost

(7) per silver ounce sold that went from \$10.94 in Q4-2022 to \$14.56 in Q1-2023. This increase in cash cost was partially offset by the average net realized silver price per ounce that went from \$19.90 in Q4-2022 to \$20.55 in Q1-2023, resulting in a net profit of \$1,060 in Q1-2023 compared to \$1,963 in Q4-2022.

Revenues in Q4-2022 increased by 85% from Q3-2022 due to a 56% increase in the volume of sales to total 669,506 oz sold in Q4-2022, compared to 419,760 oz sold in Q3-2022.

Revenues in Q3-2022 decreased 16% compared to Q2-2022 due to the average net realized price of silver sold which decreased from \$19.53 in Q2-2022 to \$17.12 in Q3-2022 and the decrease in silver ounces sold that went from 439,080 oz in Q2-2022 to 419,760 oz in Q3-2022.

In Q1-2022, the loss of \$(1,962) was mainly due to the head grade of 192 g/t Ag achieved in addition to significantly higher consumables and supplies due to the lower grade of ore mined and processed. The Corporation completed more definition drilling in Q1-2022 to define more production faces to support production for the remainder of the year.

## NON-GAAP MEASURES

In addition to the corresponding GAAP figures, the Corporation uses non-GAAP key performance metrics to monitor and assess the operational performance of each active mining unit by calculating the cash cost per ounce to assess operating performance at each of its active mining units. These indicators are commonly used as measures of performance in the mining sector, but they are presented in addition to the IFRS indicators, although there is no consistent definition. These indicators are used by management and investors to assess the cost of operations compared to peers and the performance of each mine in the portfolio.

The below indicators are non-GAAP performance indicators and were calculated using World Gold Council (or "WGC") guidelines. WGC is not an industry regulatory agency and therefore does not have the authority to develop accounting standards for disclosure specifications. Due to differences in underlying accounting rules and procedures, the different groupings used in the presentation on Non-GAAP measures, other mining companies may calculate cash costs in a variety of ways. In accordance with the financial statements, the following table reconciles cash costs and cash costs per ounce sold on an attributable basis to cost of sales.

	Three-month periods ended		Six-month periods ended	
	June 30,		June 30,	
<b>Zgounder Silver Mine - Morocco</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Cost of sales <sup>(7)</sup>	6,876	5,811	15,236	12,946
Depreciation	(2,588)	(1,602)	(4,350)	(2,903)
<b>Cost of sales, excluding depreciation</b>	<b>4,288</b>	<b>4,209</b>	<b>10,886</b>	<b>10,043</b>
<u>Add:</u>				
Smelting, refining and transport costs <sup>(8)</sup>	681	600	1,481	1,192
<b>Adjusted Operating Cash Costs (A)</b>	<b>4,969</b>	<b>4,809</b>	<b>12,367</b>	<b>11,235</b>
<b>Silver Ounces Sold (B)</b>	<b>452,523</b>	<b>439,080</b>	<b>960,727</b>	<b>845,888</b>
<b>Cash Cost per Silver Ounce sold (A/B)</b>	<b>10.98</b>	<b>10.95</b>	<b>12.87</b>	<b>13.28</b>

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2023, the Corporation had working capital, of \$43,076 (\$35,574 as at December 31, 2022) <sup>(9)</sup> including cash and cash equivalents of \$49,568 (\$39,360 at December 31, 2022). The Corporation has sufficient liquidity to finance its operations for at least the next 12 months. Although the Corporation generated \$7,738 of operating cash flow in H1-2023, principally from the Zgounder operation, the Corporation's principal sources of financing in the past

<sup>(7)</sup> As per note 13 of the unaudited condensed interim consolidated financial statements for the total of cost of sales.

<sup>(8)</sup> As per note 12 of the unaudited condensed interim consolidated financial statements for treatment, smelting and refining costs reported as net of sales.

<sup>(9)</sup> Non-GAAP Measures, consisting of current assets of \$77,184 less current liabilities of \$34,088 (December 31, 2022, current assets of \$59,815 less current liabilities of \$24,241).



have been equity and debt financing. The success of equity and debt financings is dependent on capital markets, the attractiveness of exploration companies to investors, and metal prices. To continue its exploration, development, expansion activities and be able to support its ongoing operations, the Corporation may be required to raise further equity financing or debt in the capital markets (see section January Corporate Financing and Project Facility for Zgounder Silver Mine Expansion).

The following table summarizes the Corporation's cash flow activity during the three and six-month periods ended June 30, 2023 and 2022:

Cash Flow	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2023	2022	2023	2022
Cash generated by or (used) in operating activities	3,674	1,100	7,738	309
Cash generated by or (used) in investing activities	(45,519)	(7,773)	(65,230)	(15,831)
Cash generated by or (used) in financing activities	1,620	349	66,600	319
Effect of exchange rate changes on cash in foreign currencies	1,297	(2,312)	1,100	(1,014)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(38,928)</b>	<b>(8,636)</b>	<b>10,208</b>	<b>(16,217)</b>
Cash and cash equivalents, beginning of the year	88,496	74,085	39,360	81,666
<b>Cash and cash equivalents, end of period</b>	<b>49,568</b>	<b>65,449</b>	<b>49,568</b>	<b>65,449</b>

The Corporation's cash flow from operating, investing and financing activities during Q2-2023 are summarized as follows:

**Cash generated by operating activities** of \$3,674 in Q2-2023 primarily due to:

- Cash flows from operating activities of \$2,754 before movements in working capital items.

Net of:

- Net change in working capital items of \$920 during Q2-2023, including an increase in accounts payable and accruals of \$5,457, an increase in sales tax receivable of \$1,331, a reduction in accounts receivable of \$595, an increase in inventory of \$3,712, an increase in income tax payable of \$293 and an increase in prepaid expenses and security deposit of \$382.

**Cash used in investing activities** of \$45,519 in Q2-2023 primarily due to:

- The acquisition of property plant and equipment for \$27,480 for the mine development and the Zgounder Silver Mine Expansion;
- The investment in exploration and evaluation assets \$4,840 to continue advancing the Zgounder Regional and the Boumadine property and \$800 for the acquisition of Tirzzit;
- The payment of \$10,420 to suppliers for capital expenditures for the Zgounder Silver Mine Expansion;
- The payment of deferred financing costs for \$2,044 for the Facility;
- Increase in restricted cash of \$65.

**Cash provided by financing activities** of \$1,620 in Q2-2023 primarily due to:

- Proceeds from the exercise of warrants of \$606;
- Proceeds from the exercise of stock options of \$1,072;

Net of:

- The repayment of lease obligations of \$58

The Corporation's cash flow from operating, investing and financing activities during H1-2023 are summarized as follows:

**Cash generated by operating activities** of \$7,738 in H1-2023 primarily due to:

- Cash flows from operating activities of \$4,610 before movements in working capital items;

net of:

- Net change in working capital items of \$3,128 in H1-2023, including an increase in accounts payable and accruals of \$9,118, an increase in sales tax receivable of \$2,277, an increase in accounts receivable of \$592, an increase in inventory of \$3,847, an increase in income tax payable of \$656 and a decrease in prepaid expenses and security deposit of \$70.

**Cash used in investing activities** of \$65,230 in H1-2023 primarily due to:

- The acquisition of property plant and equipment for \$38,787 for the mine development and the Zgounder Silver Mine Expansion;
- The investment in exploration and evaluation assets for \$9,815 to continue advancing the Zgounder Regional and Boumadine properties and \$800 for the acquisition of Tirzzit;
- The payment to suppliers for capital expenditures for \$12,929 for the Zgounder Silver Mine Expansion;
- The payment of deferred financing costs for \$2,952 for the Facility;
- Increase in restricted cash of \$52.

**Cash provided by financing activities of \$66,600 in H1-2023 primarily due to:**

- Proceeds from share issuance of \$68,765;
- Proceeds from the exercise of warrants of \$989;
- Proceeds from the exercise of stock options of \$1,072;

net of:

- The repayment of lease obligations of \$173;
- Transactions costs of \$4,053;

## Use of Proceeds

### January 25, 2023 Financing

On January 25, 2023, the Corporation closed a bought deal public financing and issued 11,151,550 common shares of the Corporation at a price of C\$8.25 per common share for gross proceeds of C\$92 million (\$68.8 million) - (\$64.7 million net proceeds). The common shares were issued by way of a prospectus supplement, filed on January 19, 2023 in each Canadian province, to the short form base shelf prospectus dated January 12, 2023 for up to an aggregate initial offering of C\$200 million at any time during the 25-month effective period of the prospectus. Below is an update, in tabular form, reflecting the actual use of the funds as of June 30, 2023, compared to the budgeted amounts initially set out in the prospectus:

Principal use	Earmarked usage		Actual usage	
	C\$ (million)	\$ (million)	C\$ (million)	\$ (million)
Development & expansion of Zgounder Silver Mine	77	58	56	42
Advancement of other properties	8	6	8	6
General corporate purposes <sup>(10)</sup>	7	5	7	5
<b>Total</b>	<b>92</b>	<b>69</b>	<b>71</b>	<b>53</b>

<sup>(10)</sup> Includes \$4,054 in share issue costs related to the January 25, 2023 C\$92 million financing.

## Financing Sources

Financing sources for amounts received during the last 8 quarters				
Date	Type	Financings	Gross Amounts (\$)	General description of the use of proceeds
Jan 25, 2023	Short Form Prospectus	Common shares	68,765	The net proceeds of the financing after deductions of the financing costs, are being used for the expansion of the Zgounder Mine, for advancement of its exploration programs at Zgounder, Zgounder Regional and Boumadine, and for general corporation purposes
Sep 15, 2021	Short Form Prospectus	Common shares	55,202	The net proceeds of the financing after deductions of the financing costs, are being used for the expansion of the Zgounder Mine, for advancement of other properties and for general corporation purposes.
From Jul 8, 2021 to Jun 21, 2023	Warrants	Common shares	3,206	The net proceeds from the exercise of warrants are being used for the expansion of the Zgounder Mine, for advancement of other properties and for general corporation purposes.
Sep 2, 2021	Brokers warrants	Common shares	329	The net proceeds from the exercise of brokers warrants are being used for the expansion of the Zgounder Mine, for advancement of other properties and for general corporation purposes.
From Jul 2, 2021 to Jun 29, 2023	Options exercised	Common shares	3,109	The net proceeds from the exercise of options are being used to fund general administrative expenses, investing activities and other working capital needs.

## 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
- Ensure the externally imposed capital requirements relating to debt obligations are being met
- Increase the value of the Corporation's assets; and
- Achieve optimal returns to shareholders.

These objectives are achieved by operating its assets efficiently, 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 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.

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 in Q2-2023.

## COMMITMENTS AND CONTINGENCY

### Engineering Procurement and Construction Contract ("EPC")

On November 30, 2022 the Corporation's subsidiary entered into the Engineering Procurement and Construction ("EPC") agreement with Duro Felguera S.A. ("DF") to construct a 2,000 tpd process plant at Zgounder. The EPC agreement has fixed price components of EUR 32.6 million, \$19.6 million and MAD 265 million for an equivalent of approximately \$82 million based on closing rates as at June 30, 2023. As at June 30, 2023, the Corporation recorded

\$28 million in relation to DF agreement (December 31, 2022 - \$9 million) which was recorded as assets under construction.

As at June 30, 2023, the Corporation has committed to incur approximately \$132 million, including \$54 million to DF, for costs related to assets under construction (see section January Corporate Financing and Project Facility for Zgounder Silver Mine Expansion).

## Royalties

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

- 3.0% royalty to ONHYM on revenue from the Zgounder property or \$297 and \$610 for Q2-and H1-2023 (\$256 and \$490 for Q2- and H1-2022);
- 3.0% royalty to ONHYM on revenue from the Boumadine property;
- 2.5% Net Smelter Royalty (“NSR”) to Société d'Exploration Géologique des Métaux (“SEGM”) on the Amizmiz property and on an 8 km radius area of interest; and
- 2.5% royalty to Ouiselat Mines on revenue from the Azegour property.

## Tijirit Commitments

The Tijirit project has the following commitments associated with the project:

- C\$1,500,000 to Endeavour Mining, payable upon achieving a NI-43-101 compliant mineral reserve estimation of 1,000,000 ounces of gold; and
- \$2,000,000 to ANARPAM at the commencement of production
- \$4,200,000 is in the form of a non-demand interest-free advance reimbursable only when the Corporation's Tijirit project generates revenues and would be reimbursed by paying Wafa Mining & Petroleum SA a 10% pro-rata share of the funds that might be available from Tirez's future cashflows.

In addition, the Corporation is committed to pay the following royalties and annual payments for the Tijirit project:

- Between 4.0%-6.5% royalties to the government of Mauritania depending on the price of gold. For production above 50,000 ounces, an additional 0.25% royalty, on top of the above-mentioned royalties, for every additional 100,000 ounces;
- 1.5% NSR to Osisko Gold Royalties which is 50% purchasable by the Corporation; and
- \$100,000 to ANARPAM on production of up to 30,000 ounces of gold and an additional \$1 per ounce produced on production between 30,001 - 300,000 ounces of gold.

No amounts have been paid as of June 30, 2023.

## Net Profit Interest

In 2013, the Corporation agreed to 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. On June 28, 2023, the Corporation paid \$1.6 million that was due to Glowat under the NPI and the parties terminated the NPI agreement. As part of the settlement, all court procedures in Canada and Morocco between the Corporation, the former CEO and Glowat have been withdrawn.

## RISKS AND UNCERTAINTIES

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The operations of the Corporation are speculative due to the high-risk nature of its business, which are the operation, acquisition, financing, exploration, evaluation, and development of mineral projects. The risks and uncertainties below are not the only ones facing the Corporation. Additional risks not currently known to the Corporation or that the Corporation currently deems immaterial, may also impair the Corporation's operations. See “Risk Factors” in the Corporation's Annual Information Form for the year ended December 31, 2022 for other risks affecting the Corporation generally. If any of these risks actually occur, the Corporation's operating, exploration, and financial results may be



significantly different from those expected as at the date of this MD&A. Important risk factors to consider, among others, are risks: inherent to mining exploration, uncertainty in the estimation of mineral reserves, resources and silver recovery, related to indebtedness, uninsured risks, metal price volatility, additional funding requirements, regulatory requirements, environmental matters, project delay, uncertainty of title, conflict of interest, human resources, reputational, political, impact of epidemics, changes in climate, inaccuracies in production and cost estimates.

## Financial Instruments and Risk Management

Disclosure and description of the Corporation's capital management, financial risks and financial instruments in notes 15, 16 and 17 of the unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2023 contain the risk factors associated with the Corporation.

## OTHER FINANCIAL INFORMATION

### Share Purchase Options

The following table reflects the share purchase options issued and outstanding as at the date of this MD&A:

Expiry date	Number of options	Exercise Price
	Number	C\$
July 1, 2030	4,448,334	1.43
March 3, 2031	359,667	4.75
May 12, 2031	333,400	7.69
	<b>5,141,401</b>	

### Share Purchase Warrants

The following table reflects the share purchase warrants issued and outstanding as at the date of this MD&A:

Expiry date	Number of warrants	Exercise Price
	Number	C\$
September 3, 2023	2,669,048	3.30
	<b>2,669,048</b>	

### Outstanding Share Data

	Number of shares outstanding (diluted)
Outstanding as of August 10, 2023	119,668,656
Shares reserved for issuance pursuant to share purchase options	5,141,401
Shares reserved for issuance pursuant to warrants	2,669,048
Shares reserved for issuance pursuant to deferred share units	247,666
Shares reserved for issuance pursuant to restricted share units	989,044
	<b>128,715,815</b>

### Off-Balance Sheet Arrangements

At June 30, 2023, the Corporation had no material off-balance sheet arrangements such as contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that generate financing, liquidity, market or credit risk to the Corporation, other than commitments, contingent liabilities and vendor liability and interest, as disclosed in this MD&A and the consolidated financial statements and the related notes.

## Related Party Disclosures

During the three and six-month periods ended June 30, 2023 and the year ended December 31, 2022, the following related party transactions occurred in the normal course of operations:

- Management and consulting fees to SRG Guinee S.A.R.L., a wholly owned subsidiary of SRG Mining Inc, a public company of which the Corporation's Chief Executive Officer is also the Director and Executive Chairman of the Board, of \$11 and \$22 for Q2- and H1-2023, respectively (\$10 and \$32 for Q2- and H1-2022, respectively) and exploration and evaluation fees amounting to \$nil for Q2- and H1-2023 respectively (\$14 and \$27 for Q2- and H1-2022, respectively). As at June 30, 2023, \$nil (December 31, 2022 - \$nil) was due to that company;
- Management and consulting fees to Groupe Conseils Grou, La Salle Inc., a company owned by the President and Chief Executive Officer, of \$378 and \$233 for Q2- and H1-2023, respectively (\$186 and \$373 for Q2- and H1-2022 respectively). As at June 30, 2023, \$197 (December 31, 2022 - \$406) 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 and six-month periods ended June 30, 2023 the remuneration awarded to key management personnel (including the amounts above) was as follows:

	Three-month periods ended		Six-month periods ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and benefits	173	272	377	576
Management consulting and professional fees	307	259	523	519
Director fees	-	11	-	24
Share based payments	621	633	1,096	1,108
	1,101	1,175	1,996	2,227

## ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

### Critical Accounting Judgments and Estimates

The preparation of unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions about future events that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may differ from these estimates.

In preparing the Corporation's unaudited condensed interim consolidated financial statements for the three and six-month periods ended June 30, 2023 and 2022, the Corporation applied the critical judgments and estimates disclosed in note 3 of its audited consolidated financial statements for the year ended December 31, 2022.

### Change in accounting policies

In the three- and six-month periods ended June 30, 2023, the Corporation has adopted the following accounting policy:

#### *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of that asset until the asset is substantially complete and ready for its intended use. All other borrowing costs are expensed as incurred.

## **PROPOSED TRANSACTION**

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As at June 30, 2023, and the date hereof, the Corporation had no disclosable proposed transaction.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROLS AND FINANCIAL REPORTING**

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### **Disclosure Controls and Procedures**

The Corporation's board, officers and management are responsible for establishing and maintaining disclosure controls and procedures (DC&P) for the Corporation. Disclosure controls and procedures are designed to provide reasonable assurance that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of Aya and its subsidiaries and to ensure that required information is gathered and communicated to the Corporation's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as is appropriate to permit timely decisions regarding public disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

An evaluation of the effectiveness of the Corporation's disclosure controls and procedures, as defined under the rules of the Canadian Securities Administration, was conducted as at December 31, 2022 under the supervision of the Corporation's Disclosure Committee and with the participation of management.

Based on the results of that evaluation, the CEO and the CFO concluded that the Corporation's disclosure controls and procedures were effective as at December 31, 2022 providing reasonable assurance that the information required to be disclosed in the Corporation's annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported in accordance with securities legislation.

Since the December 31, 2022 evaluation, there have been no material changes to the Corporation's disclosure controls and procedures.

### **Internal Controls over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") as defined in NI 52-109. A Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles.

A Corporation's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Corporation are being made only in accordance with authorizations of management and directors of the Corporation; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation's assets that could have a material effect on the financial statements. It should be noted that a control system, no matter how well conceived or operated, can only provide reasonable assurance, not absolute assurance, that the objectives of the control system are met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. Management, under the supervision of the Certifying Officers, has evaluated the effectiveness of ICFR and based on that evaluation, the Certifying Officers have concluded that the Corporation's ICFR was effective as at December 31, 2022. In making this assessment, management used the criteria set forth in the Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

### **Changes in Internal Control over Financial Reporting**

There were no changes to the Corporation's ICFR for the quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

## Limitations of Control and Procedures

The Corporation's management, including the CEO and the CFO, believe that any disclosure controls and procedures and internal controls over financial reporting, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

The Corporation's management makes judgments in its process of applying the Corporation's accounting policies in the preparation of its unaudited interim condensed consolidated financial statements. In addition, the preparation of financial data requires that the Corporation's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Corporation's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgments, estimates and assumptions applied in the preparation of these unaudited condensed interim consolidated financial statements were the same as those described in note 3 of the Corporation's audited annual consolidated financial statements for the year ended December 31, 2022

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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This MD&A may contain "forward-looking information", within the meaning of Canadian securities laws. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by the forward-looking information. Specifically, this MD&A includes, but is not limited to, forward-looking information regarding: the potential of the Corporation's properties; results of exploration activities and interpretation of such results; the Corporation's capacity to acquire new projects; plan, cost and timing of future exploration and development; requirements for additional capital; continuous access to capital markets; and other statements relating to the future financial and business performance and strategic plans of the Corporation.

Resource exploration, development and operations are highly speculative, characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral resources but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Although management of the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended.

There can be no assurance that such forward-looking information will prove to be accurate and actual results could differ materially from those suggested by this forward-looking information for various reasons. Accordingly, readers should not place undue reliance on forward-looking information. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

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Additional information on the Corporation, including the Corporation's Annual Information Form and the Corporation's unaudited condensed interim consolidated financial statements for the quarter ended June 30, 2023, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.ayagoldsilver.com](http://www.ayagoldsilver.com).