CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

GOLD & SILVER

Management’s responsibilities over financial reporting

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aya Gold & Silver Inc.

Opinion

We have audited the consolidated financial statements of Aya Gold & Silver Inc. (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2023 and December 31, 2022
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditor's Responsibilities for the Audit of the Financial Statements*"** section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

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

We have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of Indicators of Impairment for Exploration and Evaluation Assets

Description of the Matter

We draw attention to Notes 4 and 7 of the consolidated financial statements. The Entity has exploration and evaluation assets totaling $60,012 which comprise rights on mining properties of $24,114 and deferred exploration and evaluation expenses of $35,898. The carrying amounts of exploration and evaluation assets are reviewed by the Entity for impairment when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have expired or will expire in the near future.
- No significant future exploration expenditures are foreseen.
- No commercially viable quantities are discovered, and exploration and evaluation activities will be discontinued.
- Exploration and valuation assets are unlikely to be fully recovered from successful development or sale.

The Entity completes an evaluation at each reporting period of potential impairment indicators. If any such indicators exist, then the asset's recoverable amount is estimated.

Why the Matter is a Key Audit Matter

We identified the evaluation of indicators of impairment for exploration and evaluation assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of rights on mining properties and deferred exploration and evaluation expenses. This matter was of most significance due to the difficulties in evaluating the results of our audit procedures to assess the Entity's determination of whether the factors, individually and in aggregate, resulted in indicators of impairment.

How the Matter was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

We assessed that the Entity's evaluation of potential impairment indicators was consistent with:

- Information included in the Entity's press releases.
- Evidence obtained in other areas of the audit, including the results of exploration activities and any updates to mineral reserves and resources information.
- Information obtained from:
  - Reading the Entity's internal communications to management and the Board of Directors;
  - Inspecting publicly available information for changes in the price of applicable commodity prices.

We assessed the status of the Entity's rights to explore by discussing with management and reviewing available correspondence with government authorities to identify if any rights could be lost or not renewed by the government authorities.

We considered the activities to date in a selection of area to which the Entity has a right to explore by comparing the actual expenditures to the budgeted expenditures and available cash flow to meet these budgeted expenditures. We evaluated the Entity's ability to accurately budget the expenditures by comparing the Entity's prior year's budgeted expenditures to the actual expenditures incurred.

We assessed if substantive expenditures on further exploration for the evaluation of mineral resources in each area that the Entity has a right to explore are planned or discontinued by inspecting budgeted expenditures.

Evaluation of Indicators of Impairment for assets under construction related to the Zgounder processing plant

We draw attention to Notes 4 and 6 of the financial statements. The Entity has property, plant and equipment totaling $161,502 which comprise assets under construction of $113,614, mainly related to the Zgounder processing plant which the Entity intends to put into production by Q4 2024. Non-financial assets are reviewed each reporting date or when a triggering event is identified, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Entity has 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 processing plant may not be recoverable. As such, no impairment test was performed.

Why the Matter is a Key Audit Matter

We identified the evaluation of indicators of impairment for assets under construction related to the Zgounder processing plant as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the property, plant and equipment under construction and significant auditor judgment was required in evaluating the results of our audit procedures over the evaluation of indicators of impairment.

How the Matter was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

We assessed that the Entity's evaluation of potential impairment indicators was consistent with:

- Information included in the Entity's press releases.
- Information obtained from:
  - Reading the Entity's internal communications to management and the Board of Directors;
  - Inspecting publicly available information for changes in the price of applicable commodity prices.

We evaluated the Entity's ability to accurately budget the capital expenditure relating the Zgounder processing plant assets under construction by comparing the Entity's prior year's budgeted capital expenditure to the actual capital expenditure incurred for the project.

We compared the timing and the amounts of the actual capital expenditure incurred and the budgeted costs to complete the construction of the Zgounder processing plant with the initial budgeted capital expenditure at the beginning of the project.

We evaluated the Entity's intent and ability to complete the construction of the Zgounder processing plant assets under construction by:

- Considering the Entity's written plans for the project.
- Considering the Entity's budgeted sources of financing for the project, as well as reading the Entity's credit agreement entered into for purposes of financing the project.
- Inquiring with project managers on the progress to date and factors impacting the amount of time and cost to complete the construction

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this auditor's report is Marc-André Fontaine.

KPMG LLP*

Montréal, Canada

March 27, 2024

*CPA auditor, public accountancy permit No. A131804

Consolidated Statements of Financial Position

(Expressed in thousands of US dollars)

	December 31, 2023	December 31, 2022
	$	$
ASSETS		
Current		
Cash and cash equivalents	**49,830**	39,360
Accounts receivable	**607**	2,344
Sales taxes receivable	**10,806**	8,347
Inventories (Note 5)	**16,810**	7,688
Prepaid expenses and security deposits	**2,346**	1,495
Options contracts (Note 22)	**-**	581
	80,399	59,815
Non-current		
Restricted cash (Note 22)	**20,503**	2,489
Deferred financing fees (Note 9)	**1,888**	-
Non-refundable deposits to suppliers (Note 6)	**8,136**	580
Deferred income tax (Note 18)	**617**	-
Property, plant, and equipment (Note 6)	**161,502**	60,233
Exploration and evaluation assets (Note 7)	**60,012**	33,687
TOTAL ASSETS	**333,057**	156,804
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**41,743**	22,170
Balance of purchase price payable (Note 8)	**1,516**	1,436
Income tax payable	**3,058**	475
Current portion of lease liabilities (Note 10)	**233**	160
Options contracts (Note 22)	**145**	-
	46,695	24,241
Non-current		
Lease liabilities (Note 10)	**887**	127
Long-term debt (Note 9)	**57,672**	-
Asset retirement obligations (Note 11)	**2,667**	1,021
Deferred income tax (Note 18)	**-**	1,106
TOTAL LIABILITIES	**107,921**	26,495
EQUITY		
Share capital (Note 12)	**260,897**	170,684
Equity reserves	**12,067**	8,589
Deficit	**(52,243)**	(53,551)
	220,721	125,722
Non-controlling interests (Note 27)	**4,415**	4,587
TOTAL EQUITY	**225,136**	130,309
TOTAL LIABILITIES AND EQUITY	**333,057**	156,804

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

On behalf of the Board,

Benoit La Salle /s/
President, CEO, Director

Yves Grou /s/
Director

Consolidated Statements of Comprehensive Income (Loss)

(Expressed in thousands of US dollars, except share and per share amounts)

	Year ended December 31,	
	2023	2022
	$	$
Revenue from silver sales (Note 16)	**42,849**	38,245
Cost of sales (Note 17)	**27,042**	27,961
Gross margin	**15,807**	10,284
Expenses		
General and administrative (Note 19)	**7,675**	5,192
Share-based payments (Note 14)	**3,201**	3,252
	10,876	8,444
Operating income	**4,931**	1,840
Net finance income (Note 19)	**4,285**	2,761
Other expenses	**-**	20
Net income before income taxes	**9,216**	4,581
Income tax expense (Note 18)	**3,884**	3,183
Net income	**5,332**	1,398
Net income (loss) attributable to		
Equity holders of Aya Gold & Silver Inc.	**5,504**	466
Non-controlling interests (Note 27)	**(172)**	932
Net income	**5,332**	1,398
Other comprehensive income (loss)		
Items that will subsequently be reclassified to net income: Foreign currency translation adjustment	**4,345**	(9,719)
Comprehensive income (loss)	**9,677**	(8,321)
Basic income per common share (Note 24)	**0.05**	0.01
Diluted income per common share (Note 24)	**0.04**	0.01
Weighted average number of shares - basic (Note 24)	**118,011,122**	105,276,451
Weighted average number of shares - diluted (Note 24)	**123,205,322**	113,041,925

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

Consolidated Statement of Changes in Equity

(Expressed in thousands of US dollars)

	Share Capital		Equity Reserves					
	Number of issued and outstanding shares	Share capital	Contributed surplus[(a)]	Accumulated other comprehensive income (loss)[(b)]	Equity Reserves	Deficit attributable to equity holders of Aya Gold & Silver Inc.	Non-controlling interests	Total equity
		$	$	$	$	$	$	$
Balance as at December 31, 2022	**105,020,190**	**170,684**	**20,760**	**(12,171)**	**8,589**	**(53,551)**	**4,587**	**130,309**
Exercise of warrants and options (Note 12 & Note 13)	5,549,447	17,295	(3,851)	-	(3,851)	-	-	13,444
Vested and issued units (Note 12 & Note 14)	33,788	217	(217)	-	(217)	-	-	-
Share-based payments (Note 14)	-	-	3,201	-	3,201	-	-	3,201
Share issuance for mineral titles (Note 7)	622,728	3,936	-	-	-	-	-	3,936
Share issuance (Note 12)	11,151,550	68,765	-	-	-	-	-	68,765
Share issue costs	-	-	-	-	-	(4,196)	-	(4,196)
	122,377,703	**260,897**	**19,893**	**(12,171)**	**7,722**	**(57,747)**	**4,587**	**215,459**
Net income (loss)	**-**	**-**	**-**	**-**	**-**	**5,504**	**(172)**	**5,332**
Other comprehensive income	-	-	-	4,345	4,345	-	-	4,345
Comprehensive income (loss)	**-**	**-**	**-**	**4,345**	**4,345**	**5,504**	**(172)**	**9,677**
Balance as at December 31, 2023	**122,377,703**	**260,897**	**19,893**	**(7,826)**	**12,067**	**(52,243)**	**4,415**	**225,136**
Balance as at December 31, 2021	**104,879,153**	**169,628**	**18,012**	**(2,452)**	**15,560**	**(52,234)**	**7,047**	**140,001**
Exercise of warrants and options (Note 12 & Note 13)	128,683	979	(427)	-	(427)	-	-	552
Vested and issued units (Note 12 & Note 14)	12,354	77	(77)	-	(77)	-	-	-
Share-based payments (Note 14)	-	-	3,252	-	3,252	-	-	3,252
	105,020,190	**170,684**	**20,760**	**(2,452)**	**18,308**	**(52,234)**	**7,047**	**143,805**
Net income	-	-	-	-	-	466	932	1,398
Other comprehensive loss	-	-	-	(9,719)	(9,719)	-	-	(9,719)
Comprehensive (loss) income	**-**	**-**	**-**	**(9,719)**	**(9,719)**	**466**	**932**	**(8,321)**
Acquisition of non-controlling interest (Note 27)	**-**	**-**	**-**	**-**	**-**	**(1,783)**	**(3,392)**	**(5,175)**
Balance as at December 31, 2022	**105,020,190**	**170,684**	**20,760**	**(12,171)**	**8,589**	**(53,551)**	**4,587**	**130,309**

a) Contributed surplus reserve records the cumulative amounts of compensation expense recognized under IFRS 2 Share-Based Payment with respect to share purchase options granted, shares purchase warrants, restricted share units and deferred share units issued but not yet exercised.

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

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

Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars)

	Year ended December 31,	
	2023	2022
Cash flows provided by (used in)	**$**	$
OPERATING ACTIVITIES		
Net income	**5,332**	1,398
Adjustments for non-cash items		
Share-based payments (Note 14)	**3,201**	3,252
Depreciation of property, plant, and equipment	**5,004**	6,342
Accretion expense (Note 19)	**73**	250
Unrealized (gain) loss on foreign exchange	**(1,861)**	1,310
Deferred income taxes (recovery) expense (Note 18)	**(1,765)**	138
Change in fair value of options contracts (Note 22)	**(296)**	(618)
	9,688	12,072
Changes in working capital items (Note 23)	**11,502**	(2,423)
	21,190	9,649
INVESTING ACTIVITIES		
Net change in restricted cash (Note 9)	**(18,000)**	30
Deposits to suppliers for capital expenditures	**(7,556)**	-
Acquisition of non-controlling interest (Note 27)	**-**	(5,174)
Acquisition of property, plant and equipment (Note 6)	**(97,682)**	(33,514)
Addition of mining properties (Note 7)	**(854)**	-
Additions to exploration and evaluation assets (Note 7)	**(21,344)**	(9,801)
	(145,436)	(48,459)
FINANCING ACTIVITIES		
Repayment of lease liabilities (Note 10)	**(290)**	(245)
Deferred financing costs (Note 9)	**(4,370)**	-
Proceeds from long-term debt (Note 9)	**60,000**	-
Proceeds from options contracts	**-**	134
Proceeds from exercise of warrants (Note 13)	**11,276**	49
Proceeds from exercise of options (Note 14)	**2,168**	502
Proceeds from share issuance (Note 12)	**68,765**	-
Share issue costs	**(4,196)**	-
	133,353	440
Effect of exchange rate changes on cash in foreign currencies	**1,363**	(3,936)
Net change in cash	**10,470**	(42,306)
Cash, beginning of year	**39,360**	81,666
Cash, end of year	**49,830**	39,360

Supplemental cash flow information (Note 23)

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

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 through its 100% ownership of Zgounder Millennium Silver Mine S.A ("ZMSM"). The Corporation also owns 85% of the Boumadine polymetallic project and is the sole owner of the permits related to the Amizmiz, Azegour, Zgounder Regional, Tirzzit and Imiter bis properties. All of these properties are located in the Kingdom of Morocco. The Corporation also owns through Algold Resources Ltd. ("Algold"), 75% of the Tijirit project located in Mauritania. 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". All projects other than the Zgounder project are at the exploration and evaluation stage.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved and authorized for issue these consolidated financial statements on March 27, 2024.

Basis of measurement

The 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;

(iii) Asset retirement obligations, which are measured at the discounted estimated cost of future remediation;

(iv) Lease liabilities, which are initially measured at the present value of minimum lease payments; and

(v) Non-controlling interest which is initially measured at the proportionate share of the acquiree's identifiable net assets as at the date of acquisition.

3. CHANGE IN ACCOUNTING POLICIES

On January 1, 2023, the Corporation adopted the following new standards and interpretations:

- Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The key amendments include:

(i) Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

(ii) Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such do not need to be disclosed;

(iii) Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

(Expressed in thousands of US dollars unless otherwise noted)

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

Consolidation, functional and presentation currency

These consolidated financial statements include the accounts of Aya, and its subsidiaries as follows:

Subsidiary	Registered	Ownership, voting right	Principal activity	Functional currency
Compagnie Minière Maya-Maroc S.A. ("CMMM")	Morocco	100%	Exploration	Moroccan dirham
Zgounder Millennium Silver Mining S.A. ("ZMSM")	Morocco	100%	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
Kanosak (Barbados) Limited ("KANOSAK")	Barbados	100%	Exploration	Canadian dollar
Algold Resources Ltd. ("Algold")	Canada	100%	Exploration	Canadian dollar
Algold Mauritania S.A.R.L. ("ALGOLD SARL")	Mauritania	100%	Exploration	Mauritanian Ouguiya
Société Tijirit Recherche et Exploration S.A.R.L. ("TIREX")	Mauritania	75%	Exploration	Mauritanian Ouguiya
Morocco Exploration and Development Inc. (“MED”)	Cayman Islands	100%	Exploration	United States dollar
Precious Metal Finance and Services Inc. (“PMFS”)	Cayman Islands	100%	Services	United States dollar

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 presentation currency is the US dollar. The US dollar is the Corporation’s presentation currency because it best reflects its business activities and financial results.

Inventories

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

Stockpiled ore inventories represent ore that has been extracted from the mine and is available for further processing. The costs included in stockpiled ore inventories are based on mining costs incurred up to the point of stockpiling the ore and are removed at the weighted average cost as ore is processed.

Property, plant and equipment

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

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

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Management considers several factors in determining when a mining property is ready for use in the manner intended by management including:

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

Upon reaching the commercial production stage, costs are transferred from mining assets under development into the appropriate asset classes and depreciation commences. Metal sales are recognized as revenue and production costs as a component of mine operating costs during the ramp-up phase.

The estimated useful lives, depreciation method and rates for the current and comparative years are as follows:

Asset	Basis	Rate/period
Drilling and mining equipment	Straight-line	10 years
Furniture	Straight-line	5 years
Mining vehicles	Straight-line	4 years
Computers	Straight-line	4 years
Mining and processing equipment	Units of production	Life of mine
Mining assets in production	Units of production	Life of mine

Mining and processing equipment and mining assets in production are depleted based on the unit of production method, which is based on production and estimated recoverable ounces of silver based on estimated proven and probable reserves.

Estimates for depreciation methods, useful lives and residual value are reviewed at the end of each financial period and adjusted prospectively, if appropriate.

Exploration and evaluation assets

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

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

Upon determination of the technical feasibility and commercial viability of extracting a mineral resource, the Corporation performs an impairment test, based on the recoverable amount, prior to reclassification of E&E to PP&E under Mining assets under development in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources. The demonstration of the technical feasibility and commercial viability, and its approval by the Board of Directors, are the key points at which the Corporation determines that it will develop the project.

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

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Impairment of non-financial assets

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

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

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

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

Provisions

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

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

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

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

Provision for asset retirement obligations represents the legal and constructive obligations associated with the eventual dismantling of the Corporation's buildings and equipment related to mining production. These obligations consist of costs associated with the removal of tangible assets. When the initial estimate of the reclamation obligation is included as part of the cost of an asset, changes in the measurement of the reclamation obligation (other than those due to the accretion of the reclamation obligation) are generally added to or deducted from the cost of the related asset in the period of change.

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

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Income taxes

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

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

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

Long-term debt and borrowing costs

Long-term debt is initially recorded at fair value, net of any transaction costs, and subsequently carried at amortized cost. 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.

Share capital and warrants

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

Share-based payment transactions

Equity-settled share-based payments were made in exchange for services received, for the acquisition of properties or for settlement of debentures. The value of the equity instruments granted is determined upon the fair value of the services received or the properties acquired unless impracticable. In such case, the fair value of the services rendered, or the properties acquired is determined indirectly by reference to the fair value of the equity instruments granted. The fair value of share-based payments to directors, officers, employees and consultants with employee-related functions is recognized as an expense over the vesting period with a corresponding increase to the share purchase options component of the equity. The fair value is measured at the grant date and recognized over the period during which the share purchase options vest or the service period for consultant that do not qualify as an employee of the Corporation.

The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model and takes into account the terms and conditions upon which the share purchase options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. Upon the exercise of share-based payments, the proceeds received, net of any direct expenses, as well as the related compensation expense previously recorded into the share purchase options account are credited to share capital.

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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 compensations 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 DSUs 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 recognizes compensation expenses related to the granting of DSU's at fair value.

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 recognizes compensation expenses related to the granting of RSU's at fair value.

Share issue expenses

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

Other elements of equity

Accumulated other comprehensive income (loss) includes the impact of converting the accounts of Aya and the Corporation's foreign subsidiaries into US dollars which is the reporting currency. Contributed surplus includes charges related to share purchase options expired, warrants and amounts allocated to the equity component of convertible debentures when the conversion option expired.

Revenue recognition

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

Financial assets and liabilities

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are measured initially at fair value. If the financial asset or liability is not subsequently accounted for at fair value through profit or loss, then the initial measurement includes transaction costs that are directly attributable to the asset's or liability's acquisition or origination. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expired.

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

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Financial assets and liabilities	Classification
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Accounts receivable	Amortized cost
Options contracts	Fair value through profit and loss
Accounts payable and accrued liabilities	Amortized cost
Balance of purchase price payable	Amortized cost
Long-term debt	Amortized cost

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

Financial assets at amortized cost

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

Financial liabilities at amortized cost

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

Options contracts at fair value through profit and loss

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

Impairment of financial assets

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

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

New or revised accounting standards or interpretations and modifications to significant accounting policies Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Corporation.

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

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

Areas of significant judgments and estimation uncertainty

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

Significant Judgements

Identifying a business acquisition

Management must use its judgment in determining whether a transaction is a business combination or a purchase of assets in accordance with the criteria established in IFRS 3 Business combinations. The acquisition of an asset or a group of assets that constitute a business is accounted for as a business combination and may give rise to goodwill, whereas an asset purchase does not, thereby impacting subsequent depreciation expense and/or impairment testing results.

Start of development phase

The Corporation evaluates the potential of each project to determine when the project should progress from the exploration and evaluation phase to the development phase. Once management has determined that a project has demonstrated a potential for development based on a number of judgmental criteria, such as technical feasibility and commercial viability, and once approved by the Board of Directors, the project moves into the development phase. At this point, all related amounts are reclassified from mining assets under development to mining properties.

Start of commercial production phase

The Corporation assesses the stage of completion of each mining assets under development to determine when it begins commercial production. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of the project and its location. The Corporation considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the commercial production start date include, but are not limited to:

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

Functional currency

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

Impairment of non-financial assets

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

- Exploration rights have expired or will expire in the near future;
- No significant future exploration expenditures are foreseen;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If such circumstances exist, the recoverable amount of the asset is estimated.

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

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

Management plans to execute further substantive exploration and evaluation activities on its Boumadine, Imiter bis, Zgounder Regional, Tijirit and Azegour properties.

The Corporation also realized exploration work on the Boumadine, Imiter, Zgounder Regional, Tijirit and Azegour properties during 2023 and 2022 and intends to pursue it in 2024. No impairment indicators were identified with respect to these properties as at December 31, 2023 and 2022.

Significant Accounting Estimates

Basis of depletion of mining sites in production

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

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

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

Income taxes

The Corporation is subject to income taxes in different jurisdictions. Significant judgement is required in determining the total provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where

(Expressed in thousands of US dollars unless otherwise noted)

4. MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS (continued)

the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

Asset retirement obligations

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

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

5. INVENTORIES

	December 31, 2023	December 31, 2022
	$	$
Mining supplies	**8,714**	4,451
Silver bars	**340**	276
Silver in concentrate	**552**	1,160
Silver in circuit	**22**	27
Ore stockpile	**7,182**	1,774
	16,810	7,688

For the year ended December 31, 2023, the Corporation recognized $24,188 (2022 - $22,294) of inventory costs in the cost of sales.

6. PROPERTY, PLANT, AND EQUIPMENT

The majority of properties, plant and equipment are located in Morocco and are related to the Zgounder mine. As at December 31, 2023, the Corporation determined that there were no material events or changes in circumstances indicating that the carrying amount of property, plant and equipment, including Assets under construction related to the Zgounder processing plant, may not be recoverable. As such, no impairment test was performed.

	Drilling and mining equipment	**Mining and processing equipment**	**Mining assets in production**	**Assets under construction**	**Right-of-use assets**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Cost						
Balance at January 1, 2022	833	13,616	18,221	11,158	875	44,703
Additions	2,363	1,692	7,077	23,097	124	34,353
Lease termination	-	-	-	-	(6)	(6)
Transfers from E&E assets	98	126	422	(646)	-	-
Asset retirement obligation	-	(161)	-	-	-	(161)
Foreign exchange	(312)	(1,509)	(1,781)	(2,547)	(81)	(6,230)
Balance at December 31, 2022	2,982	13,764	23,939	31,062	912	72,659

(Expressed in thousands of US dollars unless otherwise noted)

6. PROPERTY, PLANT, AND EQUIPMENT (continued)

	Drilling and mining equipment	Mining and processing equipment	Mining assets in production	Assets under construction	Right-of-use assets	Total
	$	$	$	$	$	$
Balance at December 31, 2022	2,982	13,764	23,939	31,062	912	72,659
Transfers	82	2,351	13,164	(15,597)	-	-
Additions	148	1,309	2,985	93,240	1,137	98,819
Borrowing costs (Note 9)	-	-	-	2,104	-	2,104
Lease terminations	-	-	-	-	(770)	(770)
Asset retirement obligation (Note 11)	-	-	1,613	-	-	1,613
Foreign exchange	169	889	1,278	2,805	32	5,173
Balance at December 31, 2023	3,381	18,313	42,979	113,614	1,311	179,598
Accumulated depreciation						
Balance at January 1, 2022	128	2,884	3,411	-	419	6,842
Depreciation	40	2,499	3,553	-	250	6,342
Foreign exchange	(23)	(377)	(427)	-	69	(758)
Balance at December 31, 2022	145	5,006	6,537	-	738	12,426
Depreciation	274	1,825	3,250	-	300	5,649
Lease terminations	-	-	-	-	(770)	(770)
Foreign exchange	11	268	569	-	(57)	791
Balance at December 31, 2023	430	7,099	10,356	-	211	18,096
Carrying amounts						
At December 31, 2022	2,837	8,758	17,402	31,062	174	60,233
At December 31, 2023	2,951	11,214	32,623	113,614	1,100	161,502

Assets under construction are located in Morocco and represent expenditures for the construction and development of assets which the Corporation intends to put into production by Q4 2024. Since July 1, 2023, all Mining and processing equipment and Mining assets in production are amortized on the mineral reserve as part of the Feasibility Study on the Zgounder Silver Mine published on June 16, 2022 following a change in Management's intention regarding the intended use of existing assets.

On November 30, 2022 the Corporation's subsidiary entered into the Engineering Procurement and Construction ("EPC") agreement with Duro Fuelguera S.A. ("DF") to construct a 2,000 tonne per day processing plant at Zgounder. The EPC agreement has a fixed price components of EUR 32.6 million, $19.6 million and MAD 265 million for an equivalent of approximately $82 million based on foreign currency rates as at December 31, 2023. As at December 31, 2023, the Corporation incurred $61 million in relation to DF agreement (December 31, 2022 - $9 million) which was recorded as Assets under construction. As at December 31, 2023, the Corporation has committed to incur approximately $38 million, including approximately $21 million to DF, for costs related to assets under construction. In addition, the Corporation has made $8.1 million of deposits to suppliers in connection with the expansion of the Zgounder Silver Mine, including $5 million to DF.

(Expressed in thousands of US dollars unless otherwise noted)

7. EXPLORATION AND EVALUATION ASSETS

During the years ended December 31, 2023 and 2022, changes in exploration and evaluation assets were as follows:

	December 31, 2023	December 31, 2022
	$	$
Rights on mining properties		
Balance, beginning of the year	**19,920**	21,390
Additions	**4,790**	-
Foreign exchange	**(596)**	(1,470)
Balance, end of the year	**24,114**	19,920
Deferred exploration and evaluation expenses		
Balance, beginning of the year	**13,767**	4,267
Additions:		
Drilling, Sampling, Geology, and others	**21,344**	9,801
Foreign exchange	**787**	(301)
Balance, end of the year	**35,898**	13,767
Total	**60,012**	33,687

All exploration and evaluation assets are located in Morocco and relate to the Boumadine, Imiter, Azegour, Tirzzit, and Zgounder Regional projects except for the Tijirit project located in Mauritania.

The following schedule represents the Corporation's exploration and evaluation expenses:

December 31, 2023

	Boumadine	**Zgounder Regional**	**Tirzzit**	**Azegour**	**Imiter**	**Tijirit**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Opening Balance	7,607	2,391	-	32	1,524	22,133	33,687
Additions to mining rights	-	-	4,790	-	-	-	4,790
Drilling, sampling, geology, and others	14,787	1,552	-	19	7	4,979	21,344
Foreign exchange	532	169	27	1	85	(623)	191
Closing Balance	**22,926**	**4,112**	**4,817**	**52**	**1,616**	**26,489**	**60,012**

December 31, 2022

	Boumadine	**Zgounder Regional**	**Tirzzit**	**Azegour**	**Imiter**	**Tijirit**	**Total**
	$	$	$	$	$	$	$
Opening Balance	5,434	-	-	27	718	19,478	25,657
Drilling, sampling, geology, and others	2,612	2,330	-	5	981	3,873	9,801
Foreign exchange	(439)	61	-	-	(175)	(1,218)	(1,771)
Closing Balance	**7,607**	**2,391**	**-**	**32**	**1,524**	**22,133**	**33,687**

(Expressed in thousands of US dollars unless otherwise noted)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Acquisition of the 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. As consideration for the assets acquired, the Corporation issued 622,728 of its shares at C$8.36 (having a value of $3,936) and paid $854 in cash for a total consideration of $4,790.

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 kilometers ("km"), comprising five exploration permits and two mining licenses, one of which hosts a high-grade historical copper mine.

Tijirit project

The Corporation completed the fieldwork necessary for the feasibility study in Q2-2023. The Corporation filed a feasibility study for the Tijirit project with the government of Mauritania in December 2023. The Tijirit permit is valid for a period of 24 months starting in October 12, 2022 following the restart of fieldwork at the site. The following milestone must be reached during that period:

I. Begin the commissioning of a production facility at 24 months of the renewal date.

8. BALANCE OF PURCHASE PRICE PAYABLE

	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of the year	**1,436**	1,393
Accretion expense	**-**	205
Foreign exchange	**80**	(162)
Balance, end of the year	**1,516**	1,436

A non-interest-bearing payable to OHNYM in an amount of 15,000,000 MAD ($1,516) can be used as a capital contribution in the Corporation's subsidiary, BGM, or be repaid if the property reaches production and generates sufficient cashflow.

As part of the agreement between BGM and ONHYM a work program, including certification of resources, must begin within three months of the permit transfer from ONHYM to BGM. The permit transfer occurred on July 26, 2023. The current work program fulfills the obligations set out in this agreement.

ONHYM is entitled to receive a 3% royalty on sales from the Boumadine project. If delays in production are greater than 60 months from the date of transfer of the property, the Corporation undertakes to pay the seller a delay royalty of 100 dirhams ($10) annually until production begins.

(Expressed in thousands of US dollars unless otherwise noted)

9. LONG-TERM DEBT

On January 19, 2023, the Corporation entered into a credit agreement for a secured project financing facility with the European Bank for Reconstruction and Development ("EBRD") (the "Facility") to provide financing for the construction of the 2,000 tonne per day process plant (see note 6) for the Zgounder Silver Mine of up to $100,000.

The Facility consists of a $92,000 loan provided by the EBRD ("EBRD Tranche") and an $8,000 tranche (pari-passu with the EBRD) by the Climate Investment Funds ("CTF") ("CTF Tranche"), managed by the EBRD. Amounts borrowed under the Facility incur interest at a rate of SOFR plus 5% for the EBRD Tranche and 9.31% for the CTF Tranche. Interest is paid twice every year on July 19 and January 19.

Interest rate on the CTF $8,000 tranche 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 was disclosed by end of 2023, therefore, has resulted in a 25% rate reduction. The new interest rate on the CTF Tranche is 6.98%.
- 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%.

The funds are available for a period of 24 months and a commitment fee representing 1.5% per annum for undrawn amounts during the availability period must be paid to the EBRD.

All debts under the facility are guaranteed by the Corporation and its subsidiaries and secured by the assets of the Corporation and pledges of the securities of the Corporation's subsidiary, ZMSM. Starting on the 2nd year anniversary of the loan, ZMSM must maintain certain working capital ratios and adhere to other non-financial covenants.

The long-term debt has been recorded at amortized cost, net of transaction costs, and will be accreted to face value over the life of the long-term debt using the effective interest rate method.

The Corporation paid a front-end commission, an underwriting fee, commitment charges and related transaction costs for a total of $4,370 and $2,482 was recorded in transaction costs and $1,888 was recorded as deferred financing fees, in proportion to the amount drawn on the facility to the total available facility. As at December 31, 2023, $1,950 of interest and commitment charges are included in accounts payable.

As at December 31, 2023, $60,000 had been drawn under the Facility. In addition, a cost overrun account of $18,000 has been funded and is included in restricted cash. Once the construction is over, the Corporation will transfer most of the balance to a Debt Service Reserve Account ("DSRA"). The Corporation must keep a balance up to $16,250 in the DSRA and it will be held in restricted cash.

	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of the year	**-**	-
Drawdown in cash	**60,000**	-
Interest expense	**2,104**	-
Transaction costs	**(2,482)**	-
Balance, end of the year	**59,622**	-
Current portion of long-term debt, being the interest payable and commitment charges, presented in accounts payable and accrued liabilities	**(1,950)**	-
	57,672	-

(Expressed in thousands of US dollars unless otherwise noted)

9. LONG-TERM DEBT (continued)

There is a two-year principal grace period, and the principal must be repaid starting in 2026.The repayments of the outstanding amounts related to the long-term debt and interest for the forthcoming years are as follows:

	$
2024	1,950
2025	-
2026	17,143
2027	17,143
2028 and above	23,386
Total	**59,622**

10. LEASE LIABILITIES

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

The movement in lease liabilities during the years ended December 31, 2023 and 2022 is comprised of the following:

	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of the year	**287**	426
Additions	**1,137**	124
Terminations	**(93)**	(6)
Accretion	**25**	14
Repayments	**(290)**	(245)
Foreign exchange	**54**	(26)
Balance, end of the year	**1,120**	287
Current portion	**233**	160
Long-term portion	**887**	127

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

	$
2024	290
2025	257
2026	241
2027	174
2028 and above	331
Total minimum payments	**1,293**
Less interest	(173)
Total minimum capital payments	1,120

The Corporation's weighted average incremental borrowing rate is 6.12%.

(Expressed in thousands of US dollars unless otherwise noted)

11. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations represent legal and contractual obligations associated with the eventual dismantling of the Corporation's assets. As at December 31, 2023, the estimated inflation-adjusted discounted cash flows required to settle the asset obligations amounts to $2,667, ($1,021 in 2022). The discount rate used is 2.14% (3.30% in 2022) and the disbursements are expected to be made in 2032. 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 takes into consideration a normal inflation rate over time until 2032, for costs of $3,233. Additions of $1,623 for the year ended December 31, 2023 is related primarily to the expansion of the Zgounder Silver Mine.

	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of the year	**1,021**	1,149
Foreign exchange	**-**	1
Additions	**1,623**	-
Change in assumptions used	**(10)**	(161)
Accretion expense	**33**	32
Balance, end of the year	**2,667**	1,021

12. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Common Shares

As at December 31, 2023, the Corporation had 122,377,703 issued and outstanding common shares (December 31, 2022 - 105,020,190).

Transactions during the year ended December 31, 2023:

- On January 25, 2023 the Corporation closed its bought deal financing and issued 11,151,550 common shares for total consideration of C$92,000 ($68,765).
- On June 28, 2023 the Corporation has acquired the Tirzzit project and has issued 622,728 common shares at a value of C$8.36 per share for a total consideration of C$5,206 ($3,936).
- A total of 50,000 share purchase options were exercised for a strike price of C$2.00 for total proceeds of C$100 ($74) and an ascribed value reclassification of C$35 ($26) from contributed surplus to share capital.
- A total of 90,000 share purchase options were exercised for a strike price of C$1.43 for total proceeds of C$129 ($96) and an ascribed value reclassification of C$106 ($79) from contributed surplus to share capital.
- A total of 800,000 share purchase options were exercised for a strike price of C$3.30 for total proceeds of C$2,640 ($1,996) and an ascribed value reclassification of C$1,320 ($998) from contributed surplus to share capital.
- A total of 33,788 deferred share units were issued at an average price of C$8.47 for an ascribed value reclassification $217 from contributed surplus to share capital.
- A total of 4,609,447 share purchase warrants were exercised for a strike price of C$3.30 for total proceeds of C$15,211 ($11,278) and an ascribed value reclassification of C$3,712 ($2,748) from contributed surplus to share capital.

During the period in which the warrants and options were exercised, the Corporation's minimum market share price was C$7.61 ($5.66) while the maximum was C$10.72 ($7.87).

(Expressed in thousands of US dollars unless otherwise noted)

12. SHARE CAPITAL (continued)

Transactions during the year ended December 31, 2022:

- A total of 18,750 share purchase warrants were exercised for a strike price of C$3.30 for total proceeds of C$62 ($49) and an ascribed value reclassification of C$15 ($12) from contributed surplus to share capital.
- A total of 66,600 share purchase options were exercised for a strike price of C$7.69 for total proceeds of C$512 ($400) and an ascribed value reclassification of C$424 ($331) from contributed surplus to share capital.
- A total of 20,000 share purchase options were exercised for a strike price of C$1.43 for total proceeds of C$29 ($21) and an ascribed value reclassification of C$53 ($38) from contributed surplus to share capital.
- A total of 23,333 share purchase options were exercised for a strike price of C$4.75 for total proceeds of C$111 ($82) and an ascribed value reclassification of C$62 ($46) from contributed surplus to share capital.
- A total of 12,354 deferred share units were issued at an average price of C$8.06 for an ascribed value reclassification of $77 from contributed surplus to share capital.
- During the period in which the warrants and options were exercised, the Corporation's minimum market share price was C$5.28 ($4.10) while the maximum was C$10.56 ($8.24).

During the period in which the warrants and options were exercised, the Corporation's minimum market share price was C$5.28 ($4.10) while the maximum was C$10.56 ($8.24).

13. SHARE PURCHASE WARRANTS

The outstanding share purchase warrants as at December 31, 2023 and 2022 and the respective changes during the years are summarized as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number	**C$ (1)**	Number	C$ (1)
Balance, beginning of the year	4,609,448	3.30	4,628,198	3.30
Exercised	(4,609,448)	3.30	(18,750)	3.30
Balance exercisable, end of the year	-	-	4,609,448	3.30

(1) Weighted average exercise price in Canadian dollars.

14. SHARE-BASED PAYMENTS

Share purchase options

The Corporation's incentive share purchase option plan (the "Plan") which provides that the Board of Directors of the Corporation may, from time to time, in its discretion, and in accordance with the TSX policies, grant to directors, officers, employees and consultants to the Corporation, non-transferable share purchase options to purchase common shares of the Corporation, provided that the number of common shares issuable under the Plan, combined with the number of common shares issuable under all share compensation arrangements, shall not exceed 10% of the outstanding common shares as at the date of any grant of options. 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.

(Expressed in thousands of US dollars unless otherwise noted)

14. SHARE-BASED PAYMENTS (continued)

The outstanding share purchase options and their exercise price in Canadian dollar as at December 31, 2023 and 2022 are summarized as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number	**C$ (1)**	Number	C$ (1)
Balance, beginning of the year	6,041,401	2.29	6,151,334	2.29
Exercised	(940,000)	3.05	(109,933)	5.93
Balance, end of the year	**5,101,401**	**2.07**	**6,041,401**	**2.23**
Exercisable	5,101,401	2.07	5,780,396	2.04

(1) Weighted average exercise price in Canadian dollars.

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

			December 31, 2023
	Number outstanding	**Number exercisable**	**Exercise price C$**
July 1, 2030	4,408,334	4,408,334	1.43
March 3, 2031	359,667	359,667	4.75
May 12, 2031	333,400	333,400	7.69
	5,101,401	5,101,401	

			December 31, 2022
	Number outstanding	**Number exercisable**	**Exercise price C$**
January 24, 2023	50,000	50,000	2.00
May 4, 2023	800,000	800,000	3.30
July 1, 2030	4,498,334	4,498,334	1.43
March 3, 2031	359,667	231,996	4.75
May 12, 2031	333,400	200,066	7.69
	6,041,401	5,780,396	

No options were granted during the years ended December 31, 2023 and 2022. A share-based payment expense of $144 was recognized during the year ended December 31, 2023 ($1,182 during the year ended December 31, 2022) related to options granted in previous years.

Restricted share units

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 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.

(Expressed in thousands of US dollars unless otherwise noted)

14. SHARE-BASED PAYMENTS (continued)

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 RSUs as at December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number	**C$(2)**	Number	C$(2)
Balance, beginning of the year	591,017	8.73	131,819	8.22
Granted	406,758	10.66	475,230	8.87
Forfeited	(15,447)	9.07	(16,032)	8.63
Balance, end of the year	**982,328**	**9.52**	**591,017**	**8.73**
Vested	-	-	-	-

(2) Weighted average fair value in Canadian dollars at grant date.

A share-based compensation payment of $2,056 was recognized during the year ended December 31, 2023 ($1,055 during the year ended December 31, 2022).

Deferred share units

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 Plan and the RSU Plan. The DSUs are time-based awards and all the amount of DSUs granted will be settled on termination of service.

Pursuant to the terms of the DSU Plan, Directors will receive, after the termination date, common shares of the Corporation issued from treasury. The outstanding DSU's as at December 31, 2023 and 2022 are as follows:

	Year ended December 31, 2023		Year ended December 31, 2022	
	Number	**C$(3)**	Number	C$(3)
Balance, beginning of the year	209,765	8.10	60,273	7.94
Granted	152,535	8.85	161,846	8.16
Settled	(33,788)	8.47	(12,354)	8.06
Balance, end of the year	**328,512**	**8.41**	**209,765**	**8.10**
Exercisable	-	-	-	-

(3) Weighted average fair value in Canadian dollars at grant date.

A share-based compensation payment of $1,001 was recognized during the year ended December 31, 2023 ($1,015 during the year ended December 31, 2022.

15. 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.

(Expressed in thousands of US dollars unless otherwise noted)

15. SEGMENTED INFORMATION (continued)

For the year ended December 31, 2023, the Corporation's reporting segments include the production segment, with its Zgounder silver project in Morocco, as a significant reporting segment. All other properties are segmented in the "non-producing properties" category (i.e. referred to as Exploration, evaluation and development segment) for the years ended December 31, 2023 and 2022. The Corporate 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.

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

			December 31, 2023
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Zgounder Silver Mine - Morocco)	172,143	217,790	100,569
Exploration, evaluation, and development (Morocco)	33,523	35,257	5,174
Exploration, evaluation, and development (Mauritania)	26,489	26,495	226
Corporate	20,503	53,515	1,952
Total per consolidated statement of financial position	**252,658**	**333,057**	**107,921**

			December 31,2022
	Total non-current assets	Total assets	Total liabilities
	$	$	$
Production (Zgounder Silver Mine - Morocco)	60,937	87,383	17,332
Exploration, evaluation, and development (Morocco)	11,554	13,457	1,728
Exploration, evaluation, and development (Mauritania)	22,133	22,360	894
Corporate (Canada)	2,365	33,604	6,541
Total per consolidated statement of financial position	**96,989**	**156,804**	**26,495**

Year ended December 31, 2023 and 2022		Revenue	Cost of sales	G&A expenses	Operating income (loss)
		$	$	$	$
Production (Zgounder Silver Mine)	**2023**	**42,849**	**27,042**	**1,272**	**14,535**
	2022	38,245	27,961	111	10,173
Exploration	**2023**	**-**	**-**	**641**	**(641)**
	2022	-	-	-	-
Corporate	**2023**	**-**	**-**	**8,963**	**(8,963)**
	2022	-	-	8,333	(8,333)
Consolidated	**2023**	**42,849**	**27,042**	**10,876**	**4,931**
	2022	38,245	27,961	8,444	1,840

(Expressed in thousands of US dollars unless otherwise noted)

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

The following is a breakdown of the nature of revenue included in silver sales for the years ended December 31, 2023, and 2022:

Revenue from sales	2023	Year ended December 31, 2022
	$	$
Ingots	**17,251**	19,939
Silver concentrate	**28,595**	20,926
Less: treatment, smelting, and refining costs	**(2,997)**	(2,620)
	42,849	38,245

The Corporation's sales are with two clients (2022 – two clients) located in Switzerland.

17. ADDITIONAL INFORMATION ON THE NATURE OF COST OF SALES

The following is a breakdown of the nature of cost of sales for the years ended December 31, 2023 and 2022:

Cost of sales	2023	Year ended December 31, 2022
	$	$
Consumables, supplies, services, and other expenses	**20,364**	20,213
Freight outbound	**505**	499
Royalties	**1,289**	1,114
Depreciation	**4,884**	6,135
	27,042	27,961

18. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	2023	Year ended December 31, 2022
	$	$
Income before income tax	**9,216**	4,581
Statutory income tax rate	**26.5%**	26.5%
Expected income tax expense	**2,442**	1,214
Share-based payments	**847**	859
Effect of tax rate in foreign jurisdictions	**1,312**	(128)
Tax effect of permanent differences	**(50)**	185
Unrecognized benefit of losses (recovery) and temporary difference	**(403)**	464
Variation in valuation allowance	**(1,081)**	195
Withholdings and minimum tax	**795**	354
Other	**22**	40
	3,884	3,183

(Expressed in thousands of US dollars unless otherwise noted)

18. INCOME TAXES (continued)

Current income taxes	**4,854**	2,691
Deferred income taxes	**(1,765)**	138
Foreign withholding taxes	**795**	354
	3,884	3,183

Zgounder Millennium Silver Mining S.A. corporate tax rate was 28.75% for the year ended December 31, 2023 (25% for the year ended December 31, 2022). Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are as follows:

		Year ended December 31,
	2023	2022
	$	$
Non-capital losses carry-forward	**11,979**	14,837
Property, plant and equipment	**5**	33
Exploration and evaluation assets	**3,783**	3,652
Share issue costs	**5,362**	2,867
Other assets and liabilities	**13,063**	7,209
Capital losses	**581**	570
	34,773	29,168

Recognized deferred tax assets and liabilities are as follows:

	December 31, 2022	**Recognized in profit or loss**	**Recognized in AOCI**	**December 31, 2023**
	$	$	$	$
Non-capital loss carry-forward	4,166	(485)	11	3,692
Property, plant and equipment	(1,709)	7,357	(375)	5,273
Balance of purchase price payable	28	(4)	(53)	(29)
Foreign exchange and other	(100)	(6,140)	96	(6,144)
Exploration and evaluation assets	(3,491)	1,037	279	(2,175)
	(1,106)	**1,765**	**(42)**	**617**

	December 31, 2021	**Recognized in profit or loss**	**Recognized in AOCI**	**December 31, 2022**
	$	$	$	$
Non-capital loss carry-forward	2,112	(11,510)	13,564	4,166
Property, plant and equipment	(1,481)	1,279	(1,507)	(1,709)
Balance of purchase price payable	(5)	(188)	221	28
Foreign exchange and other	(206)	(872)	978	(100)
Exploration and evaluation assets	(1,501)	11,153	(13,143)	(3,491)
	(1,081)	**(138)**	**113**	**(1,106)**

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

		Year ended December 31,
	2023	2022
	$	$
Deferred tax assets recognized	**(617)**	1,106
	(617)	1,106

(Expressed in thousands of US dollars unless otherwise noted)

18. INCOME TAXES (continued)

Non-capital losses available in Canada expire as follows:

CANADA

	$
2034	299
2035	1,943
2036	1,592
2037	2,600
2038	2,813
2039	1,989
2040	1,840
2041	7,980
2042	4,734
2043	92
	25,882

As at December 31, 2023 and 2022, the Corporation had no unused tax losses in Morocco.

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

The following is a breakdown of the nature of expenses included in general and administrative expenses and finance expense for the years ended December 31, 2023 and 2022:

		Year ended December 31,
General and administrative expenses	**2023**	2022
	$	$
Salaries and benefits	**2,043**	1,147
Consulting fees	**2,071**	1,365
Investor relations	**885**	662
Depreciation – G&A	**120**	111
Office	**897**	520
Professional fees	**1,480**	1,265
Reporting issuer costs	**179**	122
	7,675	5,192

		Year ended December 31,
Finance income (expense)	**2023**	2022
	$	$
Change in fair value of options contracts	**296**	618
Interest income	**2,491**	828
Gain on foreign exchange	**1,571**	1,565
Accretion expense	**(73)**	(250)
	4,285	2,761

(Expressed in thousands of US dollars unless otherwise noted)

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

	Year ended December 31,	
Expenses recognized for employee benefits	**2023**	2022
	$	$
Salaries and bonuses	**8,742**	8,902
Fringe benefits costs	**1,271**	1,382
Post-employment benefits and short-term employee benefits	**399**	249
Post-employment benefits from government plans	**536**	199
Share-based payments (Note 14)	**3,201**	3,252
	14,149	13,984

20. CAPITAL MANAGEMENT

The Corporation defines capital as external debt and 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. As at December 31, 2023 managed capital is $278,393 ($125,722 December 31, 2022) representing external debt and total equity before non-controlling interest. To facilitate the management of its capital requirements, the Corporation prepares long-term cash flow projections that consider various factors, including successful capital deployment, general industry conditions and economic factors. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

	Year ended December 31,	
	2023	2022
	$	$
External debt	**57,672**	-
Equity	**220,721**	125,722
	278,393	125,722

(Expressed in thousands of US dollars unless otherwise noted)

21. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the years ended December 31, 2023 and 2022. The Corporation's main financial risks exposure and its financial risks management policies are as follows:

Credit risk

Credit risk refers to the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. The Corporation's financial assets exposed to credit risk are primarily composed of cash and cash equivalents, accounts receivable, options contracts, and restricted cash. The Corporation's cash and restricted cash are 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. For the years ended December 31, 2023 and 2022, the Corporation sells its ingots and silver concentrated ore to a limited number of large customers and has never experienced a credit loss. Consequently, credit risk is considered to be limited. 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.

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 to hedge exposures to silver price fluctuations.

Liquidity risk

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

The following are the contractual maturities of financial liabilities and other liabilities, including interest where applicable as at December 31, 2023:

	Carrying Amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	$	$	$	$	$
Accounts payable & accrued liabilities	41,743	41,743	41,743	-	-
Long-term debt (excluding interest)	57,672	60,000	-	-	60,000
Balance of purchase price payable (Note 8)	1,516	1,516	1,516	-	-
Lease liabilities (Note 10)	1,120	1,293	290	257	746
	102,051	104,552	**43,549**	**257**	**60,746**

The following are the contractual maturities of financial liabilities as at December 31, 2022:

	Carrying Amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	$	$	$	$	$
Accounts payable & accrued liabilities	22,170	22,170	22,170	-	-
Balance of purchase price payable (Note 8)	1,436	1,436	1,436	-	-
Lease liabilities (Note 10)	287	307	171	62	74
	23,893	23,913	**23,777**	**62**	**74**

(Expressed in thousands of US dollars unless otherwise noted)

21. FINANCIAL RISK MANAGEMENT (continued)

Foreign 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 AGSM, ZMSM, BGM and AGS, for which the functional currency is the Moroccan dirham, and for TIREX and ALGOLD S.A.R.L., for which the functional currency is the Mauritanian Ouguiya. Transactions related to the Corporation's exploration and evaluation activities are mainly denominated in Moroccan dirhams and Mauritanian ouguiyas.

Foreign currency denominated financial assets and liabilities which expose the Corporation to currency risk are presented below.

The Corporation enters into put option contracts to mitigate the risk of fluctuations in the exchange rate of its holdings of US dollars. 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 profit or 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 December 31, 2023 was ($145) ($581 as at December 31, 2022). As a December 31, 2023 the Corporation had cash collateral balances related to option contracts being held of $2,250 ($2,489 as at December 31, 2022). They are reflected as part of restricted cash in escrow in the consolidated statement of financial position.

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

December 31, 2023	**USD**	**EUR**	**MAD**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	36,914	235	-	37,149
Accounts receivable	451	-	-	451
Long-term debt	(60,000)	-	-	(60,000)
Accounts payable and accrued liabilities	(5,457)	(5,692)	-	(11,149)
Balance of purchase price payable (Note 8)	-	-	(1,516)	(1,516)
	(28,092)	**(5,457)**	(1,516)	**(35,065)**

December 31, 2022	**USD**	**EUR**	**MAD**	**Total**
	$	**$**	**$**	**$**
Cash and cash equivalents	28,102	1,040	-	29,142
Accounts receivable	2,313	-	-	2,313
Accounts payable and accrued liabilities	(701)	(75)	(192)	(968)
Balance of purchase price payable (Note 8)	-	-	(1,436)	(1,436)
	29,714	965	(1,628)	29,051

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 December 31, 2023 would be approximately $3,507 ($2,905 as December 31, 2022).

(Expressed in thousands of US dollars unless otherwise noted)

22. FINANCIAL INSTRUMENTS

The classification of financial instruments is summarized as follows, as at December 31, 2023 and 2022:

Financial Assets	**Classification**	**December 31, 2023**	December 31, 2022
		$	**$**
Cash and cash equivalents	Financial assets at amortized cost	**49,830**	39,360
Accounts receivable	Financial assets at amortized cost	**607**	2,344
Restricted cash	Financial assets at amortized cost	**20,503**	2,489
		70,940	44,193

Financial Liabilities	**Classification**	**December 31, 2023**	December 31, 2022
		$	**$**
Long-term debt (Note 9)	Financial liabilities at amortized cost	**57,672**	-
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	**41,743**	22,170
Balance of purchase price payable (Note 8)	Financial liabilities at amortized cost	**1,516**	1,436
		100,931	23,606

Financial Assets	**Classification**	**December 31, 2023**	December 31, 2022
		$	**$**
Option contracts	Fair value through profit & loss	**(145)**	581
		(145)	581

Fair value of financial instruments

Current financial instruments that are not measured at fair value are represented by cash and cash equivalents, accounts receivable, restricted cash, accounts payable and accrued liabilities, balance of purchase price payable and long-term debt. Their carrying values are considered a reasonable approximation of their fair value because of their short-term maturity and/or of the contractual terms of these instruments which have not changed significantly since their inception date.

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 (loss). 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.

(Expressed in thousands of US dollars unless otherwise noted)

22. FINANCIAL INSTRUMENTS (continued)

As at December 31, 2023, the following represents the classification of fair value instruments:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Option contracts	-	(145)	-	(145)

As at December 31, 2022, the following represents the classification of fair value instruments:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Option contracts	-	581	-	581

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. As at December 31, 2023, the Corporation had options with the following notional amounts: $12,500 USD-CAD at an average exchange rate of 1.3500, and $8,000 EUR-USD at an average rate of 1.1090. As at December 31, 2022, the Corporation had options with the notional mounts of $2,000 EUR-CAD at an average exchange rate of 1.29275, $22,000 USD-CAD at an average exchange rate of 1.35744, and $1,000 EUR-USD at an average rate of 0.99.

23. SUPPLEMENTAL CASH FLOW INFORMATION

		Year ended December 31,
	2023	2022
	$	$
Accounts receivable	**1,780**	(177)
Sales tax receivable	**(2,459)**	(3,648)
Inventories	**(9,122)**	(3,311)
Prepaid expenses and security deposits	**(852)**	(740)
Accounts payable and accruals	**19,572**	8,227
Income tax payable	**2,583**	(2,774)
	11,502	(2,423)
Non-cash transactions		
Additions of new right-of-use assets	**1,137**	124

(Expressed in thousands of US dollars unless otherwise noted)

24. 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, RSUs, DSUs and warrants.

The calculations for basic and diluted earnings per share for the years ended December 31, 2023 and 2022 are as follows:

		Year ended December 31,
	2023	2022
	$	$
Net earnings	**5,332**	1,398
Weighted average number of shares – basic	**118,011,122**	105,276,451
Impact of dilutive securities		
Warrants	**-**	2,799,601
Stock options, RSUs and DSUs	**5,194,200**	4,965,873
Weighted average number of shares – diluted	**123,205,322**	113,041,925
Earnings per share – basic	**0.05**	0.01
Earnings per share – diluted	**0.04**	0.01

25. COMMITMENTS AND GUARANTEES

The Corporation has the following commitments regarding its properties:

Royalties

As per the 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 on the Amizmiz property and an 8km 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 13,054 dirhams ($1,289) for the year ended December 31, 2023 and 11,295 dirhams ($1,114) for the year ended December 31, 2022; and
- 3.0% royalty to ONHYM on revenue from the Boumadine property.

Tijirit commitments

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

- CA$1,500 to Endeavour Mining, payable upon achieving a NI-43-101 compliant mineral reserve of 1,000,000 ounces of gold;
- $2,000 to Agence Nationale de recherches Géologiques du Patrimoine Minier ("ANARPAM") at the commencement of production.

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

- Royalty between 4.0% and 6.5% 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;
- NSR of 1.5% to Osisko Gold Royalties which is 50% purchasable by the Corporation; and
- $100 to ANARPAM on production of up to 30,000 ounces of gold and an additional $1 per ounce produced on production between 30,001 and 300,000 ounces of gold.

(Expressed in thousands of US dollars unless otherwise noted)

25. COMMITMENTS AND GUARANTEES (continued)

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.

26. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022, the following related party transactions occurred in the normal course of operations:

- Management and consulting fees to Groupe Conseils Group, La Salle Inc., a company owned by the President and Chief Executive Officer of $772 for the year ended December 31, 2023 ($768 for the year ended December 31, 2022). As at December 31, 2023, $412 (December 31, 2022 - $406) was due to that company;
- 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 $42 for the year ended December 31, 2023 ($57 for the year ended December 31, 2022) and exploration and evaluation fees amounting to $nil for the year ended December 31, 2023 ($55 for the year ended December 31, 2022). As at December 31, 2023, $nil (December 31, 2022 - $nil) 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 years ended December 31, 2023 and 2022, the remuneration awarded to key management personnel (including the amounts above) was as follows:

		Year ended December 31,
	2023	2022
	$	$
Salaries and benefits	**1,226**	1,188
Management consulting and professional fees	**1,146**	1,057
Director fees	**-**	23
Share-based compensation	**2,320**	2,105
	4,692	4,373

(Expressed in thousands of US dollars unless otherwise noted)

27. NON-CONTROLLING INTEREST

The Corporation's consolidated financial statements include two subsidiaries, BGM, and TIREX, with non-controlling interests ("NCIs").

ONHYM has a 15% non-dilutive participation in BGM. ANARPAM has a 15% non-dilutive participation in TIREX and WAFA Mining & Petroleum has a 10% dilutive participation in TIREX. The Corporation had the following NCIs for the years ended December 31, 2023 and 2022:

	Proportion of ownership interest and voting rights held by NCI		Total comprehensive income allocated to NCI		Accumulated NCI	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**$**	$	**$**	**$**
BGM	**15**	15	**(6)**	1	**5**	11
ZMSM	**-**	-	**-**	931	**-**	-
TIREX	**25**	25	**(166)**	-	**4,410**	4,576
			(172)	932	**4,415**	4,587

On November 28, 2022, AYA purchased for $5,174 (55,000 dirhams) the 15% NCI owned by OHNYM in ZMSM. Following the acquisition, the Corporation reversed the NCI of $3,391 and the difference of $1,783 has been recorded against the deficit.

The following table summarizes the information relating to these subsidiaries before any intercompany eliminations:

	BGM		ZMSM		TIREX		Total NCI	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	$	$	**$**	$	**$**	$	**$**	$
Non-current assets	**19,061**	4,590	**-**	-	**25,221**	18,376	**44,282**	22,966
Current assets	**1,862**	666	**-**	-	**6**	418	**1,868**	1,084
Total assets	**20,923**	**5,256**	**-**	-	**25,227**	**18,794**	**46,150**	24,050
Non-current liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Current liabilities	**21,479**	5,182	**-**	-	**9,828**	489	**31,307**	5,671
(Deficit) equity attributable to owners	**(561)**	63	**-**	-	**10,989**	13,729	**10,428**	13,792
Non-controlling interest	**5**	11	**-**	-	**4,410**	4,576	**4,415**	4,587
	20,923	**5,256**	**-**	-	**25,227**	**18,794**	**46,150**	**24,050**
Revenues for the year	**-**	-	**-**	38,245	**-**	-	**-**	38,245
(Loss) profit attributable to parent	**(34)**	5	**-**	5,276	**(499)**	-	**(533)**	5,281
(Loss) profit attributable to NCI	**(6)**	1	**-**	931	**(166)**	-	**(172)**	932
(Loss) profit for the year	**(40)**	6	**-**	6,207	**(665)**	-	**(705)**	6,213
Net cash from (used in) operating activities	**(6)**	-	**-**	4,722	**(166)**	-	**(172)**	4,722
Net cash from (used in) investing activities	**(1,708)**	-	**-**	(2,375)	**(1,146)**	-	**(2,854)**	(2,375)
Net cash from (used in) financing activities	**-**	-	**-**	(2,348)	**-**	-	**0**	(2,348)
Net cash outflow	**(1,714)**	-	**-**	(1)	**(1,312)**	-	**(3,026)**	(1)

28. SUBSEQUENT EVENTS

Bought deal of common shares:

On February 14, 2024, the Corporation closed a bought deal financing and issued 7,573,900 common shares for a total cash consideration of C$77,600 ($57,400).

Long-term debt:

On February 20, 2024, the Corporation completed the third drawdown totaling $25,000 under the Facility related to the Zgounder Silver Mine expansion (Note 9).