



**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL
STATEMENTS**

For the three and nine-month periods
ended September 30, 2023, and 2022



Management's Responsibilities over Financial Reporting

The Financial Statements of Aya Gold & Silver Inc. (the "Corporation" or "Aya") are the responsibility of the Corporation's management. The condensed interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available.

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

Aya Gold & Silver Inc.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in thousands of US dollars - unaudited)

	September 30, 2023	December 31, 2022
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	50,610	39,360
Accounts receivable	550	2,344
Sales taxes receivable	11,493	8,347
Inventories (Note 3)	14,325	7,688
Prepaid expenses and security deposits	615	1,495
Options contracts (Note 17)	141	581
	77,734	59,815
Non-current		
Restricted cash (Note 17)	20,563	2,489
Long term sales taxes receivable	2,263	-
Deferred financing fees (Note 6)	2,545	-
Non-refundable deposits to suppliers (Note 4)	13,316	580
Property, plant, and equipment (Note 4)	121,848	60,233
Exploration and evaluation assets (Note 5)	51,843	33,687
TOTAL ASSETS	290,112	156,804
LIABILITIES		
Current		
Accounts payable and accrued liabilities	35,738	22,170
Balance of purchase price payable	1,457	1,436
Income tax payable	1,414	475
Current portion of lease liabilities (Note 7)	124	160
	38,733	24,241
Non-current		
Lease liabilities (Note 7)	436	127
Long-term debt (Note 6)	33,666	-
Asset retirement obligations	996	1,021
Deferred income tax	1,124	1,106
TOTAL LIABILITIES	74,955	26,495
EQUITY		
Share capital (Note 8)	260,898	170,684
Equity reserves	5,677	8,589
Deficit	(56,000)	(53,551)
	210,575	125,722
Non-controlling interests	4,582	4,587
TOTAL EQUITY	215,157	130,309
TOTAL LIABILITIES AND EQUITY	290,112	156,804

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

On behalf of the Board,

Benoit La Salle /s/
President, CEO, Director

Yves Grou /s/
Director

Aya Gold & Silver Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue from silver sales (Note 12)	11,714	7,187	31,779	24,923
Cost of sales (Note 13)	5,531	6,413	20,766	19,358
Gross margin	6,183	774	11,013	5,565
Expenses				
General and administrative (Note 14)	1,711	1,390	5,106	4,087
Share-based payments (Note 9 & Note 10)	820	713	2,375	2,552
	2,531	2,103	7,481	6,639
Operating income (loss)	3,652	(1,329)	3,532	(1,074)
Net finance (expense) income (Note 14)	(1,385)	1,879	1,400	1,650
Net income before income taxes	2,267	550	4,932	576
Income tax expense (recovery)	1,061	(122)	3,190	1,142
Net income (loss)	1,206	672	1,742	(566)
Net income (loss) attributable to				
Equity holders of Aya Gold & Silver Inc.	1,209	792	1,747	(1,097)
Non-controlling interests	(3)	(120)	(5)	531
Net income (loss)	1,206	672	1,742	(566)
Other comprehensive (loss)				
Items that will subsequently be reclassified to net income:				
Foreign currency translation adjustment	(5,508)	(8,193)	(1,218)	(11,611)
Comprehensive (loss) income	(4,302)	(7,521)	524	(12,177)
Basic income (loss) per common share (Note 19)	0.01	0.01	0.01	(0.01)
Diluted income (loss) per common share (Note 19)	0.01	0.01	0.01	(0.01)
Weighted average number of shares - basic (Note 19)	118,260,915	105,104,588	116,539,600	105,083,896
Weighted average number of shares - diluted (Note 19)	123,418,130	112,294,877	121,706,815	105,083,896

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

Aya Gold & Silver Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in thousands of US dollars, except for shares - unaudited)

	Share Capital		Equity Reserves			Deficit attributable to equity holders of Aya Gold & Silver Inc.	Non-controlling interests	Total equity
	Number of issued and outstanding shares	Share capital	Contributed surplus ^(a)	Accumulated other comprehensive income (loss) ^(b)	Equity Reserves			
		\$	\$	\$	\$	\$	\$	\$
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 8)	5,549,447	17,296	(3,852)	-	(3,852)	-	-	13,444
Vested and issued units (Note 8)	33,788	217	(217)	-	(217)	-	-	-
Share-based payments (Note 10)	-	-	2,375	-	2,375	-	-	2,375
Share issuance for asset acquisition (Note 5)	622,728	3,936	-	-	-	-	-	3,936
Share issuance (Note 8)	11,151,550	68,765	-	-	-	-	-	68,765
Share issue costs	-	-	-	-	-	(4,196)	-	(4,196)
	122,377,703	260,898	19,066	(12,171)	6,895	(57,747)	4,587	214,633
Net income (loss)	-	-	-	-	-	1,747	(5)	1,742
Other comprehensive loss	-	-	-	(1,218)	(1,218)	-	-	(1,218)
Comprehensive (loss) income	-	-	-	(1,218)	(1,218)	1,747	(5)	524
Balance as at September 30, 2023	122,377,703	260,898	19,066	(13,389)	5,677	(56,000)	4,582	215,157
Balance as at December 31, 2021	104,879,153	169,628	18,012	(2,452)	15,561	(52,234)	7,047	140,002
Exercise of warrants and options	85,350	791	(342)	-	(342)	-	-	449
Vested and issued units	12,354	77	(77)	-	(77)	-	-	-
Share-based payments (Note 10)	-	-	2,552	-	2,552	-	-	2,552
	104,976,857	170,496	20,145	(2,452)	17,694	(52,234)	7,047	143,003
Net (loss) income	-	-	-	-	-	(1,097)	531	(566)
Other comprehensive loss	-	-	-	(11,611)	(11,611)	-	-	(11,611)
Comprehensive (loss) income	-	-	-	(11,611)	(11,611)	(1,097)	531	(12,177)
Balance as at September 30, 2022	104,976,857	170,496	20,145	(14,063)	6,083	(53,331)	7,578	130,826

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

(b) 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 condensed interim consolidated financial statements.

Aya Gold & Silver Inc.

Condensed Interim Consolidated Statement of Cash Flow

(Expressed in thousands of US dollars - unaudited)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2023	2022	2023	2022
Cash flows provided by (used in)	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net income (loss)	1,206	672	1,742	(566)
Adjustments for non-cash items				
Share-based payments (Note 10)	820	713	2,375	2,552
Depreciation of property, plant, and equipment (Note 4)	476	1,163	4,824	4,125
Accretion expense (Note 14)	18	59	48	185
Loss on foreign exchange	3,339	1,656	1,574	3,308
Change in fair value of options contracts	(184)	(406)	(226)	(273)
	5,675	3,857	10,337	9,331
Changes in working capital items (Note 18)	2,049	1,844	5,177	(3,321)
	7,724	5,701	15,514	6,010
INVESTING ACTIVITIES				
Net change in restricted cash	(18,000)	(136)	(18,000)	(151)
Deposits to suppliers for capital expenditures	-	-	(12,930)	-
Acquisition of property, plant and equipment (Note 4)	(28,609)	(9,847)	(66,941)	(23,051)
Acquisition of mining properties (Note 5)	-	-	(800)	-
Additions to exploration and evaluation assets (Note 5)	(4,422)	(1,834)	(14,238)	(4,446)
	(51,031)	(11,817)	(112,909)	(27,648)
FINANCING ACTIVITIES				
Repayment of lease liabilities (Note 7)	(49)	(57)	(222)	(186)
Deferred financing fees (Note 6)	(507)	-	(3,911)	-
Proceeds from long-term debt (Note 6)	35,000	-	35,000	-
Proceeds from exercise of warrants	10,288	-	11,276	49
Proceeds from exercise of options	1,051	-	2,124	399
Proceeds from share issuance	-	-	68,765	-
Share issue costs	(143)	-	(4,196)	-
	45,640	(57)	108,836	262
Effect of exchange rate changes on cash in foreign currencies	(1,291)	(3,693)	(191)	(4,707)
Net change in cash	1,042	(9,866)	11,250	(26,083)
Cash, beginning of period	49,568	65,448	39,360	81,665
Cash, end of period	50,610	55,582	50,610	55,582

Supplemental cash flow information (Note 18)

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

Aya Gold & Silver Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023 (Expressed in thousands of US dollars - unaudited)

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 and Imiter bis properties. On June 28, 2023, the Corporation acquired the Tirzzit Project ("Tirzzit"), a collection of seven permits located 25 kilometers from the Zgounder property. 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" and on the OTCQX under the symbol "AYASF". All projects other than the Zgounder project are at the exploration and evaluation stage.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The condensed interim consolidated financial statements of the Corporation for the three and nine-month periods ended September 30, 2023 and 2022 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). IFRS includes IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS.

The Board of directors approved and authorized for issue these condensed interim consolidated financial statements, on November 14, 2023.

Basis of measurement

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

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

Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates

Aya Gold & Silver Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023 (Expressed in thousands of US dollars - unaudited)

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

are revised and in any future period affected. In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those described in the Corporation's audited consolidated financial statements for the year ended December 31, 2022.

Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2022 except for the following policy that has been adopted in the period ended September 30, 2023:

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.

Consolidation, functional and presentation currency

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

Subsidiary	Registered	Ownership, voting Right	Principal activity	Functional Currency
Aya Gold & Silver Morocco S.A. ("AGSM")	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 SARL ("ALGOLD SARL")	Mauritania	100%	Exploration	Mauritanian Ouguiya
Société Tijirit Recherche et Exploration SARL ("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 reporting currency is the US dollar.

Aya Gold & Silver Inc.
Notes to Condensed Interim Consolidated Financial Statements
September 30, 2023 (Expressed in thousands of US dollars - unaudited)

3. INVENTORIES

	September 30, 2023	December 31, 2022
	\$	\$
Mining supplies	9,029	4,451
Silver bars	569	276
Silver in concentrate	640	1,160
Silver in circuit	21	27
Ore stockpile	4,066	1,774
	14,325	7,688

For the three and nine-month periods ended September 30, 2023, the Corporation recognized \$5,306 and \$18,432 respectively of inventory costs in the cost of sales (\$4,317 and \$14,704 for the three and nine-month periods ended September 30, 2022 respectively).

4. PROPERTY, PLANT, AND EQUIPMENT

The majority of properties, plant and equipment are located in Morocco and are related to the Zgounder mine. As at September 30, 2023, the Corporation determined that there were no material events or changes in circumstances indicating that the carrying amount of property, plant and equipment related to the Zgounder mine may not be recoverable. As such, no impairment test was performed.

	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	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
Transfers	33	2,304	13,011	(15,348)	-	-
Additions	156	662	1,559	64,657	559	67,593
Debt interest expense (Note 6)	-	-	-	362	-	362
Lease terminations	-	-	-	-	(93)	(93)
Asset retirement obligation	-	-	(51)	-	-	(51)
Foreign exchange	39	178	(190)	(1,197)	(3)	(1,173)
Balance at September 30, 2023	3,210	16,908	38,268	79,536	1,375	139,297

Aya Gold & Silver Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023 (Expressed in thousands of US dollars - unaudited)

4. 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
	\$	\$	\$		\$	\$
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	255	1,626	2,744	-	199	4,824
Foreign exchange	(70)	(8)	196	-	81	199
Balance at September 30, 2023	330	6,624	9,477	-	1,018	17,449
Carrying amounts						
At December 31, 2022	2,837	8,758	17,402	31,062	174	60,233
At September 30, 2023	2,880	10,284	28,791	79,536	357	121,848

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. Since July 1, 2023, all Mining and processing equipment and Mining assets in production are now 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 process 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 \$80 million based on closing rates as at September 30, 2023. As at September 30, 2023, the Corporation recorded \$39 million in relation to DF agreement (December 31, 2022 - \$9 million) which was recorded as assets under construction. As at September 30, 2023, the Corporation has committed to incur approximately \$138 million, including \$41 million to DF, for costs related to assets under construction. In addition, the Corporation has made \$11.5 million of deposits to suppliers in connection with the expansion of the Zgounder Silver Mine, including \$6.9 million to DF.

5. EXPLORATION AND EVALUATION ASSETS

During the nine-month period ended September 30, 2023 and the year ended December 31, 2022, changes in exploration and evaluation assets were as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Rights on mining properties		
Balance, beginning of the period	19,920	21,390
Additions	4,747	-
Foreign exchange	(750)	(1,470)
Balance, end of the period	23,917	19,920

Aya Gold & Silver Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023 (Expressed in thousands of US dollars - unaudited)

5. EXPLORATION AND EVALUATION ASSETS (continued)

	September 30, 2023	December 31, 2022
	\$	\$
Exploration and evaluation assets		
Balance, beginning of the period	13,767	4,267
Additions		
Drilling, Sampling, Geology, and others	14,238	9,801
Foreign exchange	(79)	(301)
Balance, end of the period	27,926	13,767
Total	51,843	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:

	September 30, 2023						
	Zgounder						
	Boumadine	Regional	Tirzzit	Azegour	Imiter	Tijirit	Total
	\$	\$	\$	\$	\$	\$	\$
Opening Balance	7,607	2,391	-	32	1,524	22,133	33,687
Additions to mining rights	-	-	4,747	-	-	-	4,747
Drilling, sampling, geology, and others	8,114	1,463	-	14	5	4,642	14,238
Foreign exchange	(110)	9	(46)	-	22	(704)	(829)
Closing Balance	15,611	3,863	4,701	46	1,551	26,071	51,843

	December 31, 2022						
	Zgounder						
	Boumadine	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

Aya Gold & Silver Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023 (Expressed in thousands of US dollars - unaudited)

5. 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 \$800 in cash for a total consideration of \$4.7 million.

Management concluded that Tirzzit does not meet the definition of a business, and consequently the transaction was accounted for as an asset acquisition. The assets acquired include seven permits within a property of 67.7 square 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 and is completing the feasibility study. 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 milestones must be reached during that period:

- (i) Feasibility study needs to be completed within a period of 14 months from the renewal date;
- (ii) Begin the commissioning of a production facility at 24 months of the renewal date.

6. 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 4) 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 disclosed by end of 2023 will result in a 25% rate reduction;
- Milestone 2: Completion of certain capital expenditure set out in the TCFD report and in the development plan by end of 2024 will result in a 50% rate reduction;
- Milestone 3: Reaching "advanced" maturity on the TCFD's Climate Governance and Strategy recommendation will result in reduction of interest to an all-in rate of 1.00%.

The funds are available for a period of 24 months and a commitment fee representing 1.5% 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 subsidiaries, ZMSM. In connection with the facility, the Corporation must also maintain certain working capital ratios and adhere to other non-financial covenants. As at September 30, 2023, the Corporation was in compliance with these 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.

Aya Gold & Silver Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2023 (Expressed in thousands of US dollars - unaudited)

6. LONG-TERM DEBT (continued)

During the period ended September 30, 2023, an effective interest expense of \$362 was recorded on the facility and has been capitalized to property, plant, and equipment under assets under construction.

The Corporation paid a front-end commission, an underwriting fee, commitment charges and related transaction costs for a total of \$3,911 and \$1,366 was recorded in transaction cost and \$2,545 was recorded as deferred financing fees, in proportion to the amount drawn on the facility to the total available facility. An amortization of transaction cost of \$32 has been included in the effective interest expense for the period.

As at September 30, 2023, \$35 million had been drawn under the Facility. In addition, a cost overrun account of \$18,000 has been funded and is included in restricted cash.

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of the period	-	-
Drawdown	35,000	-
Unamortized deferred transaction costs	(1,334)	-
Balance, end of the period	33,666	-

7. LEASE LIABILITIES

The Corporation leases office space, land, mining vehicles and dwellings for employees. These leases are for a period of one to eight 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 nine-month period ended September 30, 2023 and the year ended December 31, 2022 is comprised of the following:

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of the period	287	426
Additions	559	124
Terminations	(93)	(6)
Accretion	22	14
Repayments	(222)	(245)
Foreign exchange	7	(26)
Balance, end of the period	560	287
Current portion	124	160
Long-term portion	436	127

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7. LEASE LIABILITIES (continued)

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

	\$
2023 (three months)	26
2024	150
2025	133
2026	121
2027 and above	199
Total minimum payments	629
Less interest	(69)
Total minimum capital payments	560

The Corporation's weighted average incremental borrowing rate is 5.31%.

8. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Common Shares

As at September 30, 2023, the Corporation had 122,377,703 issued and outstanding common shares (December 31, 2022 - 105,020,190).

Transactions during the nine-month period ended September 30, 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 acquired the Tirzzit assets and issued 622,728 common shares at a value of C\$8.36 per share for a total consideration of C\$5,206 (\$3,936). See note 5.
- 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 (\$2,749) from contributed surplus to share capital.

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8. SHARE CAPITAL (continued)

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).

9. SHARE PURCHASE WARRANTS

The outstanding share purchase warrants as at September 30, 2023 and December 31, 2022 and the respective changes during the period are summarized as follows:

	Nine-month period ended		Year ended	
	September 30, 2023		December 31, 2022	
	Number	C\$ ⁽¹⁾	Number	C\$ ⁽¹⁾
Balance, beginning of the period	4,609,447	3.30	4,628,197	3.30
Exercised	(4,609,047)	3.30	(18,750)	3.30
Balance exercisable, end of the period	-	-	4,609,447	3.30

(1) Weighted average exercise price in Canadian dollars.

10. 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.

The outstanding share purchase options and their exercise price in Canadian dollars as at September 30, 2023 and as at December 31, 2022 and the respective changes during the period are summarized as follows:

	Nine-month period ended		Year ended	
	September 30, 2023		December 31, 2022	
	Number	C\$	Number	C\$
Balance, beginning of the period	6,041,401	2.23	6,151,334	2.29
Exercised	(940,000)	3.05	(109,933)	5.93
Balance, end of the period	5,101,401	2.07	6,041,401	2.23
Exercisable	5,101,401	2.07	5,780,396	2.04

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10. SHARE-BASED PAYMENTS (continued)

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

	September 30, 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	

A share-based payment expense of \$nil and \$144 was recognized during the three and nine-month periods ended September 30, 2023 respectively (\$132 and \$1,056 during the three and nine-month period ended September 30, 2022 respectively).

Restricted share units ("RSU")

The RSU Plan provides for a maximum number of common shares available and reserved for issuance of 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.

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 September 30, 2023 and December 31, 2022 are as follows:

	Nine-month period ended		Year ended	
	September 30, 2023		December 31, 2022	
	Number	C\$(²)	Number	C\$(²)
Balance, beginning of the period	591,017	8.73	131,819	8.22
Granted	406,758	10.66	475,230	8.87
Canceled	(15,447)	9.07	(16,032)	8.63
Balance, end of the period	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 \$568 and \$1,475 was recognized during the three and nine-month periods ended September 30, 2023 respectively (\$323 and \$730 during the three and nine-month periods ended September 30, 2022).

Deferred share units ("DSU")

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 vest 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 DSUs as at September 30, 2023 and December 31, 2022 are as follows:

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10. SHARE-BASED PAYMENTS (continued)

	Nine-month period ended		Year ended	
	September 30, 2023		December 31, 2022	
	Number	C\$ ⁽³⁾	Number	C\$ ⁽³⁾
Balance, beginning of the period	209,765	8.10	60,273	7.94
Granted	118,522	8.54	161,846	8.16
Settled	(33,788)	8.47	(12,354)	8.06
Balance, end of the period	294,499	8.44	209,765	8.10
Exercisable	-	-	-	-

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

A share-based compensation payment of \$252 of \$756 was recognized during the three and nine-month periods ended September 30, 2023 (\$258 and \$766 during the three and nine-month period ended September 30, 2022).

11. SEGMENTED INFORMATION

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

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

For the three and nine-month periods ended September 30, 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 period ended September 30, 2023 and December 31, 2022. The Corporate segment is a non-operating segment comprising corporate and administrative functions that provide support and governance to the Corporation's production and exploration, evaluation and development segments and 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.

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11. SEGMENTED INFORMATION (continued)

	September 30, 2023		
	Total non-current assets	Total assets	Total liabilities
	\$	\$	\$
Production (Zgounder Silver Mine - Morocco)	137,709	168,301	67,756
Exploration, evaluation, and development (Morocco)	28,035	30,835	5,597
Exploration, evaluation, and development (Mauritania)	26,071	26,071	248
Corporate	20,563	64,905	1,354
Total per consolidated statement of financial position	212,378	290,112	74,955

	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	2,365	33,604	6,541
Total per consolidated statement of financial position	96,989	156,804	26,495

Three months ended September 30, 2023 and 2022					Operating income
		Revenue	Cost of sales	G&A expenses	(loss)
Production (Zgounder Silver Mine)	2023	11,714	5,531	278	5,905
	2022	7,187	6,413	27	747
Exploration, evaluation, and development	2023	-	-	160	(160)
	2022	-	-	-	-
Corporate	2023	-	-	2,093	(2,093)
	2022	-	-	2,076	(2,076)
Consolidated	2023	11,714	5,531	2,531	3,652
	2022	7,187	6,413	2,103	(1,329)

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11. SEGMENTED INFORMATION (continued)

Nine months ended September 30, 2023 and 2022		Revenue	Cost of sales	G&A expenses	Operating
					income (loss)
Production (Zgounder Silver Mine)	2023	31,779	20,766	791	10,222
	2022	24,923	19,358	87	5,478
Exploration, evaluation, and development	2023	-	-	436	(436)
	2022	-	-	-	-
Corporate	2023	-	-	6,254	(6,254)
	2022	-	-	6,552	(6,552)
Consolidated	2023	31,779	20,766	7,481	3,532
	2022	24,923	19,358	6,639	(1,074)

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

The following is a breakdown of the nature of revenue included in silver sales for the three and nine-month periods ended September 30, 2023 and 2022:

Revenue from sales	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Ingots	4,888	5,630	12,299	14,488
Silver concentrate	7,608	2,167	21,744	12,237
Less: treatment, smelting, and refining costs	(782)	(610)	(2,264)	(1,802)
	11,714	7,187	31,779	24,923

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

13. ADDITIONAL INFORMATION ON THE NATURE OF COST OF SALES

The following is a breakdown of the nature of cost of sales for the three and nine-month periods ended September 30, 2023 and 2022:

Cost of sales	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Consumables, supplies, services, and other expenses	4,582	4,918	14,614	14,263
Freight outbound	130	120	375	328
Royalties	343	240	953	729
Depreciation (Note 4)	476	1,135	4,824	4,038
	5,531	6,413	20,766	19,358

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

The following is a breakdown of the nature of expenses included in general and administrative expenses and finance expense for the three and nine-month periods ended September 30, 2023 and 2022:

General and administrative expenses	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and benefits	314	247	1,394	827
Consulting fees	439	325	1,520	968
Investor relations	229	218	616	672
Office	217	151	625	473
Professional fees	482	418	796	1,047
Reporting issuer costs	30	31	155	100
	1,711	1,390	5,106	4,087

Finance (expense) income	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Fair value adjustments on options contracts	184	406	226	273
Interest income	744	263	1,908	442
(Loss) gain on foreign exchange	(2,295)	1,269	(686)	1,120
Accretion expense	(18)	(59)	(48)	(185)
	(1,385)	1,879	1,400	1,650

Expenses recognized for employee benefits	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and bonuses	2,343	812	7,269	4,852
Fringe benefits costs	313	481	932	1,014
Post-employment and short-term employee benefits	93	57	304	161
Post-employment benefits from government plans	130	46	403	140
Share-based payments (Note 10)	820	713	2,375	2,552
	3,699	2,109	11,283	8,719

15. CAPITAL MANAGEMENT

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

- Ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions;
- Ensure the externally imposed capital requirements relating to debt obligations are being met;

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15. CAPITAL MANAGEMENT (continued)

- Increase the value of the Corporation's assets; and
- Achieve optimal returns to shareholders.

The Corporation will achieve these objectives by effectively 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 operation, acquisition, exploration, 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 September 30, 2023, managed capital is \$210,575 (\$125,722 as at December 31, 2022) representing total equity before non-controlling interest. Management reviews its capital management approach on an ongoing basis and believes that this approach is appropriate given the relative size of the Corporation. There were no changes in the Corporation's approach to capital management during the nine-month period ended September 30, 2023.

16. FINANCIAL RISK MANAGEMENT

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. There were no changes to the financial objectives, policies and processes during the three and nine-month periods ended September 30, 2023 and 2022. The Corporation's main financial risk exposure and its financial risk 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 long-term restricted cash. The Corporation's cash is mostly held with reputable Canadian or Moroccan banks.

Credit risk arises from the possibility that the clients which the Corporation sells its product to may experience financial difficulties and be unable to fulfil their obligations. The Corporation requires that it is paid the majority of what it is owed on transfer of property and deals with creditworthy counterparties to mitigate the risk of financial loss from default. The Corporation monitors the credit risk of customers through credit rating reviews and constant communication with customers. The Corporation establishes an allowance for doubtful accounts taking into account the credit risk of specific customers, historical trends and other information. As at September 30, 2023 and December 31, 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 September 30, 2023:

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16. FINANCIAL RISK MANAGEMENT (continued)

	Carrying Amount	Contractual cash flows	0-12 months	12-24 months	More than 24 months
	\$	\$	\$	\$	\$
Accounts payable & accrued liabilities	35,738	35,738	35,738	-	-
Long-term debt	33,666	35,000	-	-	35,000
Balance of purchase price payable	1,457	1,457	1,457	-	-
Lease liabilities	560	629	152	128	349
	71,421	72,824	37,347	128	35,349

The following are the contractual maturities of financial liabilities and other 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	1,436	1,436	1,436	-	-
Lease liabilities	287	307	171	62	74
	23,893	23,913	23,777	62	74

Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. The Corporation's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents and long-term debt. The Corporation's exposure to interest rate risk arises primarily from interest rate impact on its cash and cash equivalents.

The Corporation's long-term debt has an interest rate of SOFR plus 5% for the EBRD Tranche and 9.31% for the CTF Tranche. As at September 30, 2023 SOFR was 5.16% and as a result, a one percent point change in interest rate would result in approximately \$29 increase (\$30 decrease) in interest expense capitalized to property, plant, and equipment.

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 September 30, 2023 was \$141 (\$581 as at December 31, 2022). As at September 30, 2023, the Corporation had cash collateral balances related to option contracts being held of \$2,318 (\$2,489 as at December).

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16. FINANCIAL RISK MANAGEMENT (continued)

31, 2022). They are reflected as part of restricted cash in escrow in the condensed interim consolidated statement of financial position.

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

September 30, 2023	USD	EUR	MAD	Total
	\$	\$		\$
Cash and cash equivalents	58,396	305	-	58,701
Accounts receivable	12	1	-	13
Long-term debt	(35,000)			(35,000)
Accounts payable and accrued liabilities	(529)	(44)	-	(573)
Balance of purchase price payable	-		(1,457)	(1,457)
	22,879	262	(1,457)	21,684

December 31, 2022	USD	EUR	MAD	Total
	\$	\$		\$
Cash and cash equivalents	28,103	1,040	-	29,143
Accounts receivable	2,313	-	-	2,313
Accounts payable and accrued liabilities	(701)	(75)	(193)	(969)
Balance of purchase price payable	-	-	(1,436)	(1,436)
	29,715	965	(1,629)	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 September 30, 2023 would be approximately \$2,201 (\$2,910 as December 31, 2022).

17. FINANCIAL INSTRUMENTS

The classification of financial instruments is summarized as follows, as at September 30, 2023 and December 31, 2022:

Financial Assets	Classification	September 30, 2023	December 31, 2022
		\$	\$
Cash and cash equivalents	Financial assets at amortized cost	50,610	39,360
Accounts receivable	Financial assets at amortized cost	550	2,344
Restricted cash	Financial assets at amortized cost	20,563	2,489
		71,723	44,193

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17. **FINANCIAL INSTRUMENTS** (continued)

Financial Liabilities	Classification	September 30,	December 31,
		2023	2022
		\$	\$
Long-term debt	Financial liabilities at amortized cost	33,666	-
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	35,738	22,170
Balance of purchase price payable	Financial liabilities at amortized cost	1,457	1,436
		70,861	23,606

Financial Assets	Classification	September 30,	December 31,
		2023	2022
		\$	\$
Option contracts	Financial assets at amortized cost	141	581
		141	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, long-term debt, accounts payable and accrued liabilities and balance of purchase price acquisition of the Boumadine property. Their carrying values are considered to be a reasonable approximation of their fair value because of their short-term maturity and/or of the contractual terms of these instruments. Fair value of restricted cash is very similar to the amortized cost due to the nature of the underlying asset. The fair value of the long-term debt bearing interest at variable rates amounted to \$35,000 is calculated based on present value of future principal and interest cash flows, discounted at the current market interest rates at the reporting 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.

As at September 30, 2023, the following represents the classification of fair value instruments:

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17. FINANCIAL INSTRUMENTS (continued)

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Option contracts	-	141	-	141

	December 31, 2022			
	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.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Accounts receivable	2,429	4,237	1,837	1,555
Sales tax receivable	(3,131)	(1,032)	(5,408)	(3,000)
Inventories	(2,790)	(1,351)	(6,637)	(1,683)
Prepaid expenses and security deposits	809	321	879	292
Prepaid tax installments	-	(702)	-	(1,234)
Accounts payable and accruals	4,450	400	13,568	4,023
Income tax payable	282	(29)	938	(3,274)
	2,049	1,844	5,177	(3,321)
Non-cash transactions				
Exercise of stock options included in accounts receivable	1,007	-	(44)	-

19. EARNINGS (LOSS) PER COMMON SHARE

Basic earnings or loss per share is the net earnings or loss available to common shareholders divided by the weighted average number of common shares outstanding during the 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 if dilutive. The calculations for basic and diluted earnings per share for the three and nine-month periods ended September 30, 2023 and 2022 are as follows:

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19. EARNINGS (LOSS) PER COMMON SHARE (continued)

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Net earnings (loss)	1,206	672	1,742	(566)
Weighted average number of shares – basic	118,260,915	105,104,588	116,539,600	105,083,896
Impact of dilutive securities				
Warrants	-	2,475,123	-	-
Stock options, RSUs and DSUs	5,167,215	4,715,166	5,167,215	-
Weighted average number of shares – diluted	123,418,130	112,294,877	121,706,815	105,083,896
Earnings per share – basic	0.01	0.01	0.01	(0.01)
Earnings per share – diluted	0.01	0.01	0.01	(0.01)

20. RELATED PARTY TRANSACTIONS

During the three and nine-month periods ended September 30, 2023 and 2022, the following related party transactions occurred in the normal course of operations:

- Management and consulting fees to SRG Guinee S.A.R.L., a wholly owned subsidiary of SRG Mining Inc, a public company of which the Corporation's Chief Executive Officer is also the Director and Executive Chairman of the Board, of \$10 and \$32 for the three-month and nine-month periods ended September 30, 2023 respectively (\$12 and \$44 for the three-month and nine-month periods ended September 30, 2022 respectively) and exploration and evaluation fees amounting to \$nil for the three-month and nine-month periods ended September 30, 2023 respectively (\$14 and \$41 for the three-month and nine-month periods ended September 30, 2022 respectively). As at September 30, 2023 and December 31, 2022 no amount was due to the company;
- Management and consulting fees to Groupe Conseils Grou, La Salle Inc., a company owned by the President and Chief Executive Officer of \$187 and \$565 for the three-month and nine-month periods ended September 30, 2023 respectively (\$182 and \$555 for the three-month and nine-month periods ended September 30, 2022 respectively). As at September 30, 2023, \$292 (December 31, 2022 - \$406) was due to that company;

Remuneration of key management personnel of the Corporation

Key management include members of the Board of Directors and executive officers of the Corporation. During the three and nine-month periods ended September 30, 2023, and 2022, the remuneration awarded to key management personnel (including the amounts above) was as follows:

	Three-month periods ended		Nine-month periods ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and benefits	184	224	562	800
Management consulting and professional fees	259	296	782	816
Share based payments	617	510	1,712	1,618
	1,060	1,030	3,056	3,234

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21. 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.