

AYA GOLD & SILVER INC.



# 2020 SUSTAINABILITY REPORT

ESTABLISHING THE BASELINE



# CONTENTS

MESSAGE FROM THE CEO	03
ABOUT AYA	04
OUR APPROACH	08
ENVIRONMENT	10
SOCIAL	14
GRI INDEX	18



Mr. La Salle was appointed President & CEO of Aya in April 2020. He has over 25 years of experience as a mining corporate executive in mining companies. In 1995, Mr. La Salle founded Canadian-based SEMAFO Inc., which grew from a junior explorer to a +250,000-ounce-per-year gold producer in West Africa, and established SEMAFO Foundation in 2008 to support its local communities. Since 2010, he has held board positions at six public companies in addition to founding three West African-focused exploration companies and one privately held power producer. An active contributor to the non-profit sector, Mr. La Salle is a former board director and chair of Plan International Canada and has been Chairman of the Board of The Canadian Council on Africa since 2013.

A Fellow Chartered Accountant, Benoit La Salle is also a member of the Quebec Order of Chartered Professional Accountants. He holds a Bachelor of Commerce degree from McGill University and a Master of Business Administration degree from IMEDE, Switzerland.

# MESSAGE FROM THE PRESIDENT & CEO

In this first year of its existence, Aya Gold & Silver (“Aya” or the “Corporation”) is extremely proud to present its first sustainability report for the year 2020. This report’s content is intended for shareholders, employees, communities, public authorities and other stakeholders.

The year 2020 was a landmark one for the Corporation. Upon my appointment as President & CEO, my new team and I have been focused on maximizing shareholder value by anchoring sustainability at the heart of our production, resource, governance, and financial growth plans. Our approach is rooted in my over 25 years’ experience in developing and operating responsible mining companies in West Africa. It is also based on stakeholder empowerment and in our wish to build a spirit of collaboration with neighbouring communities, thus making Aya an agent for positive change and local development.

In collaboration with employees, the new management team devised an operational turnaround plan that was subsequently approved by the Board of Directors of the Corporation. The plan included upgrading mining equipment, Tailings Storage Facilities (“TSF”), living quarters, the flotation and cyanidation plants, in addition to the surrounding infrastructure. Our immediate priority was to fix and

improve the tailings facilities. To this end, water deviation canals were designed and built to prevent spill over during the rainy season, and the dam walls were raised and reinforced. The Corporation also mandated an external firm to conduct quarterly audits of all TSFs.

In July, the Corporation announced a 15,000-meter exploration drilling program together with geophysical surveys at the Zgounder Silver Deposit. In partnership with DRA/Met-Chem, we launched a Feasibility Study (“FS”) to assess the potential to increase the Zgounder Silver Mine throughput to 2,000 tonnes per day (“tpd”).

Finally, the Corporation also launched, in partnership with NOVEC, an Environmental and Social Impact Assessment (“ESIA”). The ESIA will cover the mine expansion while also help the Corporation understand the environmental and social baseline of the Zgounder Silver Mine, which is a complex project with 40+ years of history involving multiple takeovers. In parallel, measures were launched to implement the necessary in-company financial governance and security controls.

In summary, it has been an extremely busy and productive year for Aya. The covid pandemic made operations globally much more difficult. Health & safety became our

number one priority before operations.

At year-end, our operational turnaround plan was already showing tremendous momentum, with total silver production of 407,986 oz in Q4 2020, representing record quarterly production. This achievement involved increasing throughput to 566tpd or 81% of design capacity. The 2020 exploration program was also highly successful, completing a 20,000-meter drill program that yielded very promising results.

This year’s milestones would not have been possible without the expertise, determination, and commitment of our employees, 99% of whom are Moroccan nationals. In this transition year, their close teamwork has been critical to delivering on our work program and maintaining a safe and efficient work environment. We are also grateful for the strong support from the Kingdom of Morocco in addition to all of our stakeholders whose collaboration allowed us to achieve these positive results.

Please enjoy our first sustainability report,

Benoit La Salle  
President & Chief Executive Officer



# ABOUT US

## ABOUT THE COMPANY

Aya is a rapidly growing, Canadian-based silver producer with a large land position in Morocco. Its corporate headquarters are located in Montreal, Quebec.

The only TSX-listed pure silver mining company, Aya operates the high-grade Zgounder Silver Mine and is exploring its properties along the prospective South-Atlas Fault, several of which have hosted past-producing mines and historical resources. Aya’s Moroccan mining assets are complemented by its Tijirit Gold Project in Mauritania, which is being advanced to feasibility.

Since its appointment in mid-2020, Aya’s new management team has been focused on maximising shareholder value by anchoring sustainability at the heart of its production, resource, governance, and financial growth plans.

Aya was incorporated under the Canada Business Corporations Act; its financial year-end is December 31, and it trades on the Toronto Stock Exchange under the symbol “AYA”. As of December 31<sup>st</sup>, 2020, its capital structure consisted of 97,075,013 common shares outstanding, and 108,828,684 on a fully diluted basis.

Aya’s portfolio comprises one operating underground mine and four exploration permits:

- Zgounder Silver Mine
- Imiter-bis (Ag, Au, Cu, Pb, Zn)

## About Aya

- Boumadine (Au, Ag, Zn, Pb, Ge)
- Amizmiz (Au)
- Azegour (Mo, Cu, W)

## CHANGE OF MANAGEMENT

On April 24, 2020 the Corporation announced that the Chairman, President and CEO was stepping down and that Mr. Benoit La Salle FCPA, CPA had been appointed as President, Chief Executive Officer and Director of the board. Mr. Robert Taub was appointed as Chairman of the board.

Furthermore, the Corporation announced on May 14, 2020 the following appointments: Mr. Ugo Landry-Tolszczuk as Chief Financial Officer; Mr. Mustapha Elouafi as General Manager & President of Maya Gold and Silver Morocco; Mr. Elias Elias as Vice-President, Legal & Corporate Secretary and Mr. Alex Ball as Vice President, Corporate Development & Investor Relations.

On July 30, 2020, the Corporation announced that it had received the approval from the Toronto Stock Exchange to change the Corporation’s name from Maya Gold & Silver Inc. to Aya Gold & Silver Inc.

The Corporation had no senior operational, financial or legal management prior to the change in management. Significant effort has been made to hire personnel whose expertise reflects the Corporation’s ambitions, current

## Our Approach

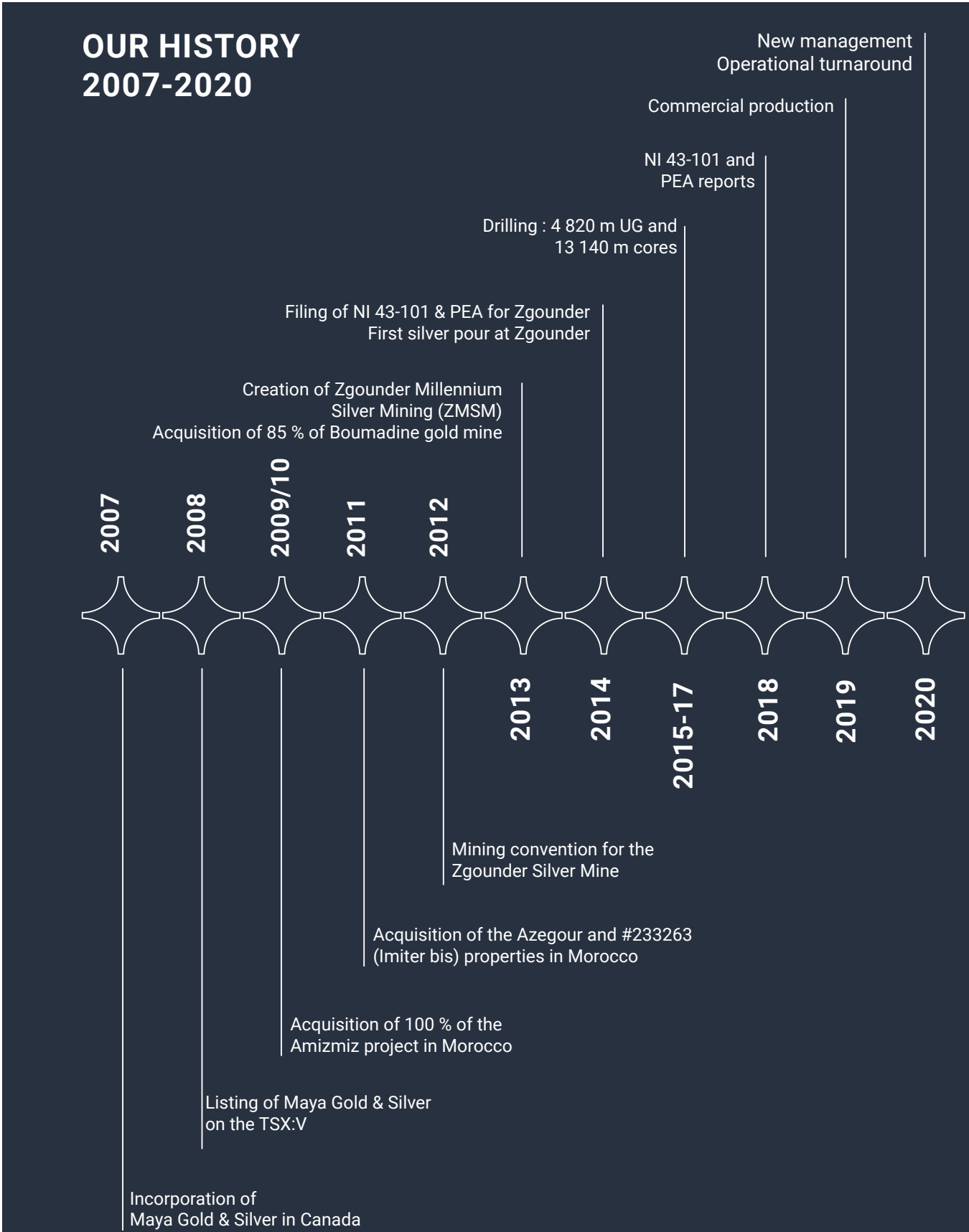
operational footprint, and that the Corporation is properly staffed.

Since taking office, the new management team has assessed the status of the Corporation’s overall operations, including: mining practices; environmental practices and procedures; environmental reporting standards and practices; health and safety standards; community relations; accounting practices; internal controls; and disclosure procedures. In addition, it has implemented other governance related items such as adopting a comprehensive code of ethics, a business code of conduct covering anti-bribery and anti-money laundering obligations, among others.

## ZGOUNDER PROJECT HISTORY

The Zgounder underground Silver Mine dates back to the early 20th century, with the first industrial production launched by a French colonial mining company around 1920.

The current facilities were built in 1982 by SOMIL, until the project was abandoned in 1990. Between 1982 and 1990, SOMIL extracted 5,304,955 ounces of silver. Another company (CMT) operated the mine between 2001 and 2004. Finally, in 2012, Maya Gold & Silver won the tender organized by the state of Morocco to restart production at the Zgounder Silver Mine.



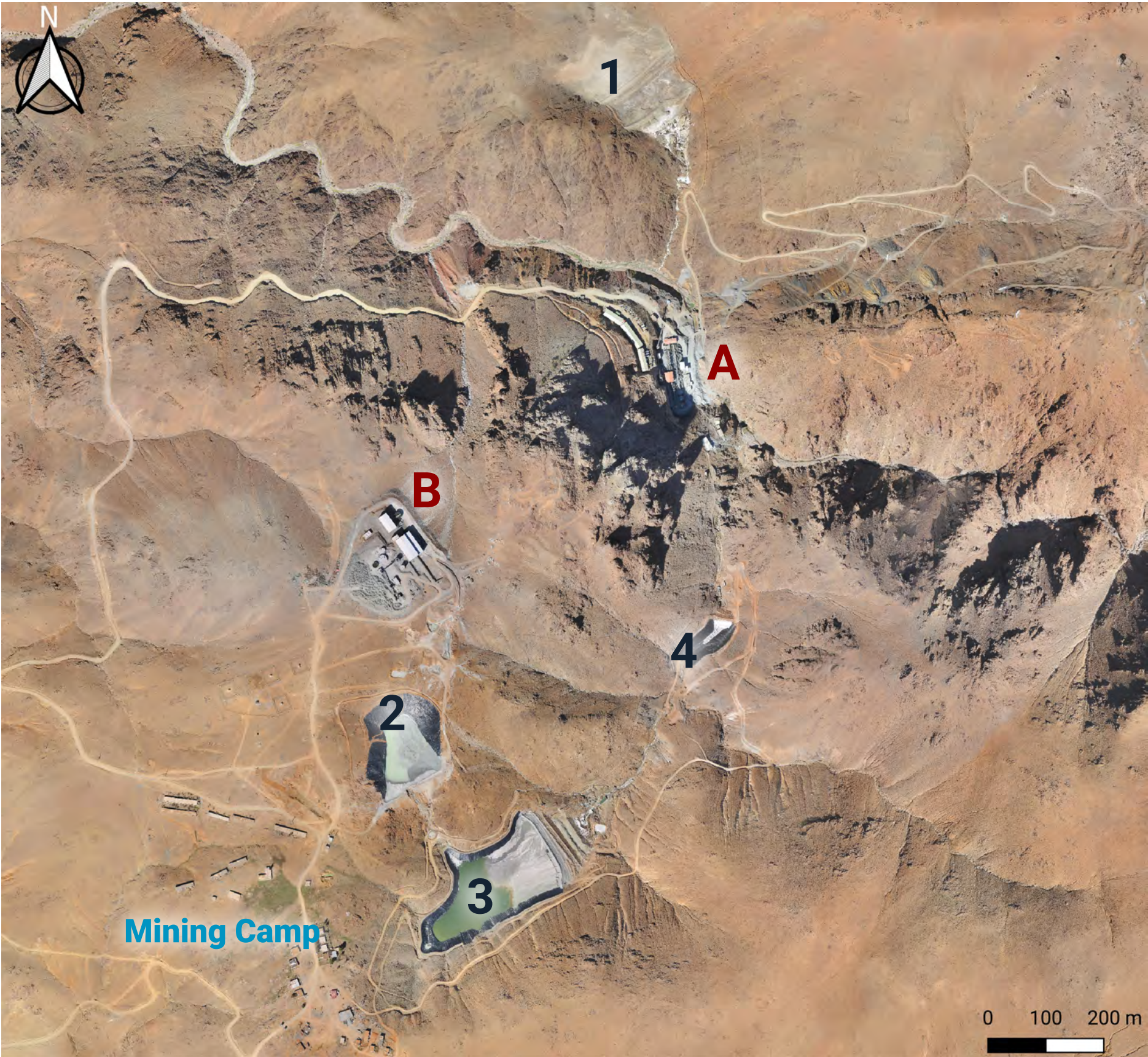
ZGOUNDER SILVER MINE: 2020 HIGHLIGHTS

- 2020 silver production: 726,319 oz
- Revenues from silver sales: \$13,822,709\*
- Royalties : \$416,486
- Total contribution to Morocco : \$3,046,608 (taxes and salaries)
- 207 employees and 183 contractors
- Type of mine: underground; Mining method: cut and fill
- Life of mine : 10 years (from 2018 PEA)
- Processing method: flotation (500 tpd) – cyanidation (200 tpd)
- Ownership: 85%-15% joint venture between Aya and ONHYM (the Office National des Hydrocarbures et des Mines) of the Kingdom of Morocco
- Measured & indicated mineral resources: 4,893,000t at 282 g/t Ag for 44,410,000 oz
- Inferred mineral resources: 59,000t at 209 g/t Ag for 395,000 oz
- Feasibility study underway for expansion to 2,000 tpd

\* Currencies in USD unless otherwise specified



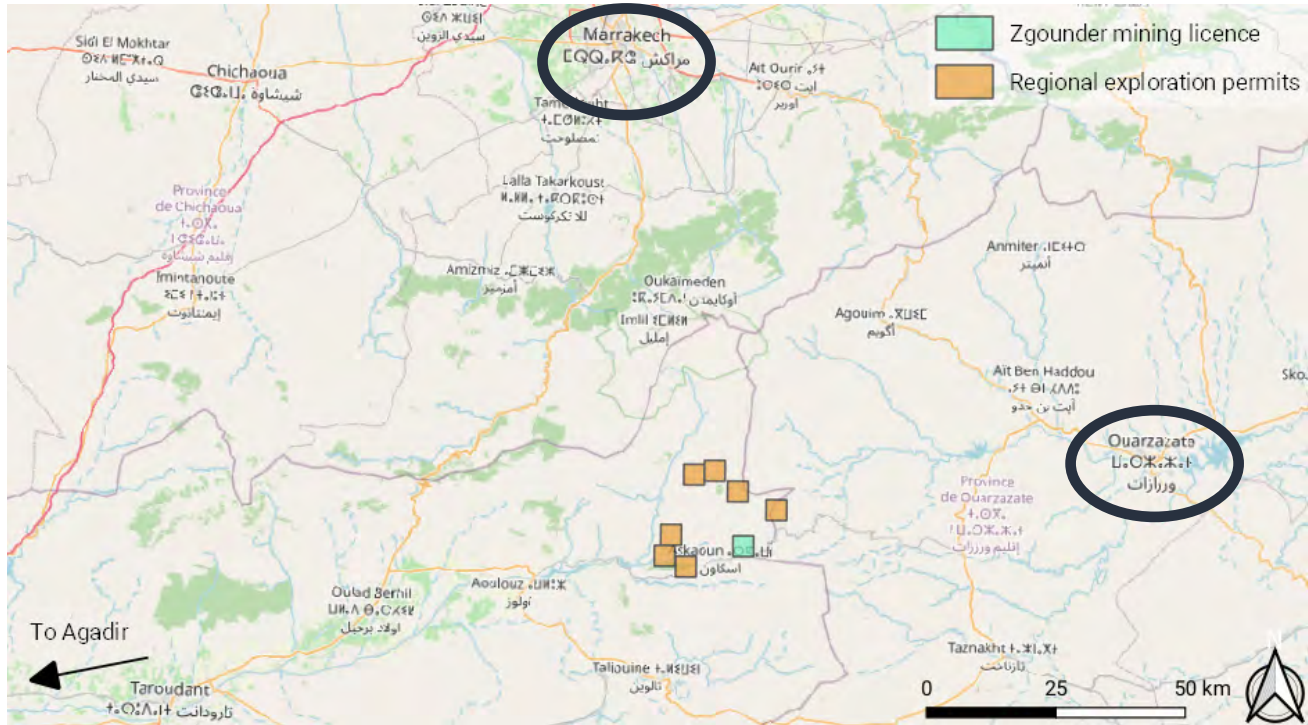




ZGOUNDER SILVER MINE

- ◆ 16km<sup>2</sup> mining concession, approx. 260km east of Agadir
- ◆ Four tailings storage facilities (in blue):
  1. Historical (1980-1990)
  2. Flotation (2017-2020)
  3. Cyanidation (2003-2004; 2013-present)
  4. Flotation (2020-present)
- ◆ Five underground mining levels (1925m to 2100m above sea level)
- ◆ Two processing plants (in red):
  1. Cyanidation plant (1980-1990; 2013-present)
  2. Flotation plant (2019-present)
- ◆ Mining camp for approx. 100 employees (in light blue)

Below : Geographical location of the Zgounder mining permit and the related regional exploration permits.  
The map shows the position of the Zgounder Mine, at the center of a triangle between Marrakech, Ouarzazate, and Agadir.









# OUR APPROACH TO SUSTAINABILITY

## GOVERNANCE AND CONDUCT

The Corporation had no previous operational, financial or legal management team and immediately mobilized to fill this gap. Further, policies adopted under the previous management lacked relevancy, were antiquated, and no longer reflected the Corporation’s size or operations.

The Corporation’s Code of Business Conduct and Ethics (“CBCE”) serves as its ethical foundation, underpinning every decision and action. The Corporation ensures that each person working on behalf of the Corporation understands its expectations for exemplary business conduct and commits to upholding them.

This Code reflects the Corporation’s commitment to instilling a culture of integrity, excellence, teamwork, and accountability and outlines the basic principles and policies with which everyone at the Corporation is expected to comply.

The Corporation requires the highest standards of professional and ethical conduct from its employees, officers and directors. The Corporation’s reputation for honesty and integrity is important for the success of its business.

No one at the Corporation will be permitted to achieve results through violations of laws or regulations, or through unscrupulous dealings.

## COMPENSATION POLICIES

The Corporation also had no previous compensation program for directors and executive management incorporating fixed pay and variable pay compensation

policies, such as performance-based pay, equity-based pay, bonuses, deferred or vested shares, sign-on bonuses or recruitment incentive payments, termination payments, clawbacks, or retirement benefits.

The new management team has subsequently worked tirelessly to address these issues and attract top-tier talent and has hired over a dozen executives from the mining industry. In this transition year, given the significant number of hires, the company engaged an external compensation consultant to help establish a normalized competitive benchmark for compensation across the Corporation, namely for top executives and management.

The Corporation’s board of directors, supported by the compensation committee, establishes Key Performance Indicators(“KPI”) for certain key executives that focus on corporate performance achievements relative to production, costs, market performance, health and safety as well as sustainable practices. These KPIs form an essential part of executive compensation.

## MEMBERSHIP AND INITIATIVES

In 2020, the Corporation was not a member of any association and did not participate in any external initiatives.

## ENVIRONMENT AND SOCIAL GOVERNANCE

The Environment, Social and Governance (“ESG”) Committee of the Corporation’s board oversees the practices and behaviors, prioritizing how the Corporation affects its host communities, the natural environments where it operates, and the Health and

Safety (“H&S”) of its people. With a specific responsibility to review and monitor community, environmental, and H&S policies on behalf of the Board, the ESG Committee ensures compliance with the Corporation’s legal obligations and develops policies, programs and procedures to protect employee H&S as well as the environment.

The Corporation has put in place an anti-corruption policy and adhere to Canadian anti-corruption laws such as the Corruption of Foreign Public Officials Act (“CFPOA”). The Corporation’s Whistle-Blowing Policy provides confidential and anonymous avenues so that employees, partners or other persons can feel secure in reporting corruption or other concerns about its operations.

The Corporation also publicly discloses, on an annual basis, the Extractive Sector Transparency Measures Act (“ESTMA”) report, and provides governments and local authorities with semi-annual environmental and social management reports.

The Corporation’s new management team has made dedicated efforts to assess and understand its portfolio of projects, and the Zgounder Silver Mine in particular. Almost one year later, the assessment and risk analysis are still ongoing due to the multi-layered impact of the COVID-19 pandemic. The exercise has, however, yielded many key findings and several action plans have been subsequently implemented.

## SUSTAINABILITY

The Corporation’s drive for sustainability will involve adopting the precautionary approach and implementing its Environmental and Social Management System (“ESMS”).

The precautionary approach is the process for investigating, addressing and mitigating how the Corporation actions could impact the environment and host communities.

The ESMS is a set of policies, plans, programs, procedures and tools based on International Finance Corporation (“IFC”) Performance Standards and the Equator Principles that will help the Corporation monitor its status and progress in upholding its many legal, social and environmental responsibilities. The ESMS incorporates a “Plan, Do, Check, Act” process, thereby encouraging continuous improvement in sustainability management, and is based on the ISO 14001 environmental standard and on the ISO 45001 occupational H&S standard. The Corporation’s key health, safety, environment and community policy is posted on its website.

## IDENTIFYING SOCIAL AND ENVIRONMENTAL IMPACTS

New management’s assessment of operations revealed that the Zgounder Silver Mine’s environmental and social impact assessment (“ESIA”) dated back to 2014 and did not reflect the operations that they found when arriving on site. No impact assessment studies had been carried out either for the flotation process plant built in 2018, or for TSFs #2 and #4 (see map on page 6 above).

The Corporation decided to launch a new ESIA in order to acquire comprehensive environmental and social baseline data in addition to identifying and assessing the impacts of the expansion project. The Zgounder ESIA complements the 2,000tpd expansion FS as its output will guide the layout of the new infrastructure and the engineering decisions.

The ESIA also offers the opportunity to present the Zgounder Silver Mine and the Corporation’s new management in a new light to the local authorities given that the validation process requires public consultations.



Transparency and disclosure form the building blocks for sustainability reporting and environmental and social governance (ESG). The Corporation’s new management team dedicated time and resources to assess and understand the Corporation’s portfolio of projects, and the Zgounder Silver Mine in particular. Almost one year later, the assessment and risk analyses are still ongoing due to the multi-layered impact of the COVID-19 pandemic. The exercise has, however, yielded many key findings and several action plans have been implemented.

This report aims at summarizing the findings and establishing the baseline for future reporting. It is also meant to establish a precedent and institute a culture of transparency and sustainability, a concern that stakeholders have raised regarding the Corporation’s previous administration. *The purpose of this report is not to greenwash, but instead be fully transparent and mobilize and implement actions that will have a measurable impact by next year’s report. The Corporation’s new management team views this challenge as an opportunity to rethink the vision and raise the bar for the Corporation’s performance and the sustainability of its operations.*

SCOPE

Information in this report covers the 2020 calendar year. This report has been prepared in accordance with the Global Reporting Initiative (“GRI”) Standards: Core option; The Corporation has not sought external assurance for 2020.

MATERIALITY ANALYSIS

Under the GRI Standards, companies must focus their reporting on topics that reflect an organization’s economic, environmental, and social impacts and/or substantively influence the decisions of stakeholders. This is referred to as materiality.

The Corporation’s materiality assessment process serves three distinct purposes: i) it helps the Corporation to prioritize sustainability reporting topics, ii) it informs the Corporation’s risk management and strategic planning, and iii) it helps the Corporation engage with stakeholders to understand their concerns and requirements.

METHODOLOGY

The exercise of determining which topics are material is referred to as a materiality analysis. In the context of this report and the development stage at which the Corporation is, the material analysis was conducted in two steps.

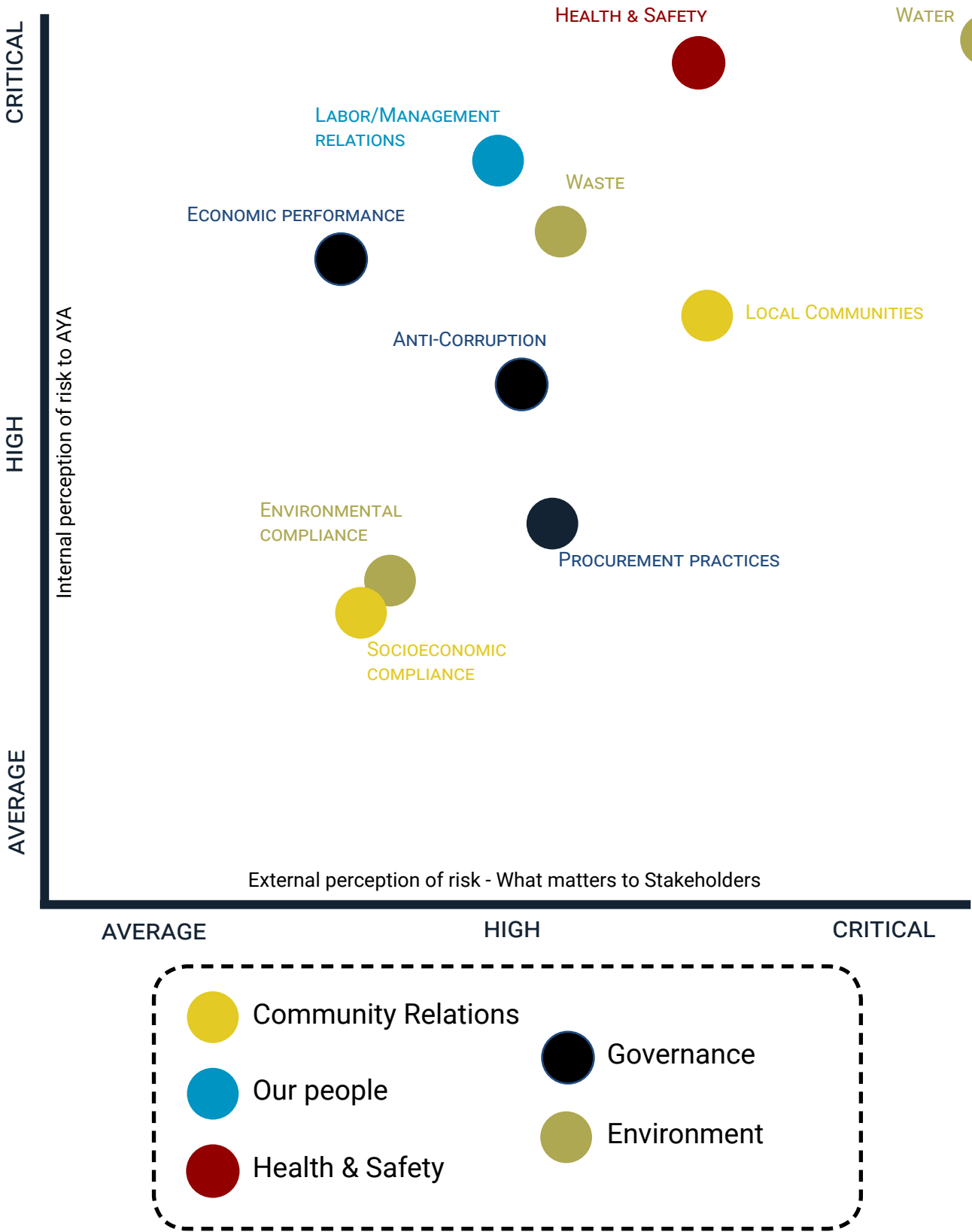
The first phase consisted in the identification and selection of potential sustainability issues out of the GRI G4 Metals and Mining supplement. This list was narrowed down internally through workshops and conclusions of the Corporation’s new management’s year-long assessment and risk analysis, as well as with the help of documentation such as the GRI’s Defining What Matters: Do companies and investors agree on what is material?

Next, the prioritization phase consisted of rating from 1 to 5 (average to high risk) each issue during further workshops with the management team. The Corporation did not seek external consultation for the prioritization phase.

TOP MATERIAL TOPICS

As shown in the illustration to the right, the top material topics for 2020 are :

- ✦ Environment (water, waste, and compliance)
- ✦ Health & Safety
- ✦ Labor/Management Relations
- ✦ Social (local communities and socioeconomic compliance)
- ✦ Governance( anti-corruption, procurement practices, and economic performance)





# ENVIRONMENT

Water is the most important element in the context of the Zgounder Silver Mine. Precipitation ranges from 7 cm in dry years to 67 cm in wet years, with an average rainfall of 23 cm per year. The region is desertic, so water access and quality directly impact host communities and ZMSM operations. This section will first discuss the use of water resources, followed by the risks of water pollution, and solid waste management.

## WATER: RESOURCE USE

As mentioned above, the region where the Zgounder Silver Mine is located is desertic.

Use of water resources, or water stress, is both an operational and a societal risk. Expansion of the Zgounder Silver Mine is dependent on finding new water sources, which communities require for drinking and agriculture.



The Macoste spring that supplies Zgounder

To date, water is taken from a spring (photo on right) located 5 km upstream and brought gravitationally by aqueduct to the mine. In the dry months, the spring is insufficient as it provides 15 m³/hour where the mine requires 25 m³/hour at its nameplate 700 tpd capacity.

### CORRECTIVE ACTION

The Macoste spring was immediately overhauled by dredging the water reservoirs that collect the water from the spring and to which the Zgounder Silver Mine is connected by pipes. This action alone brought back the flow to its previous capacity of 25 m³/hour. The pipework was also buried in order to further protect against damages and accidents.

The Corporation’s new management team has also planned to construct two large water storage basins (30,000 m³ each) to capture the excess



Earthworks in preparation for the construction of a 30,000m³ water basin

precipitation during the rainy season. During the rainy season when water levels increase dramatically, the stability of the two tailings storage facilities (“TSF”) may be reduced. One new water basin will be used to collect excess water from the TSF, thus preventing discharge to the environment. When full, the two water basins will be able to supply operations for at least 3 months, which is more than sufficient to cover the deficit during dryer years.

Plans are also being developed to improve water resiliency in order to meet the additional water requirements generated by the Zgounder Silver Mine expansion project. Water needs will grow to approximately 3,000 m³/day, from 600 m³/day currently. The engineering firm responsible for the FS is working with the ESIA firm to ensure water security for operations without having to drill wells that could potentially affect regional underground water levels.

### RISK: RESOURCE USE

Insufficient water can slow mineral processing and impact host communities

**Objective 1 :** Refurbish Macoste spring infrastructure (piping and reservoir)

**Completion :** Completed Q2 2021

**Objective 2 :** Build 2 water basins, each of 30,000m³

**Completion :** Q4 2021 (first one completed Q2 2021).



WATER: POLLUTION

The Zgounder Silver Mine has a history of weak water management. Water pollution is often the first topic that comes up when talking to local communities and local authorities about the Zgounder Silver Mine. The Corporation’s quarterly water quality sampling reports show that river water in the immediate vicinity of the mine has regularly shown traces of pollution since 2015. Although it remains contained (sample points 3 km downstream are always negative), the Corporation’s new management team considers this an extremely urgent matter. From the Corporation’s analysis, the water pollution stems from two sources, detailed on this page and on the next.

First, the cyanide processing plant has issues with pulp overflow. Given the age of the equipment (from the 1980s), the pumps that keep the pulp flowing between the agitator tanks often break down, which leads to overflow. The overflow should normally be directed to another tank designed for this purpose, but the design of the latter is too small.

This resulted in some process pulp ending directly on the old riverbed. Therefore, when the Zgounder River overflowed after heavy rainfall, it would revert to its old riverbed (light blue dotted line in photo below), and carry away the traces of process pulp. This appears to be the main source of pollution.



Other view of the cyanide processing plant, with the Zgounder river nearby. The dark blue line is the current riverbed of the Zgounder river, including the underground deviation. The light dotted line is the old riverbed before deviation.

### RISK: POLLUTION (#1)

Process pulp overflow at the cyanide processing plant, and Zgounder river overflowing deviation built in the 1980s.

**Objective 1 :** Build a 500m³ reservoir for process pulp

**Completion :** Q2 2021

**Objective 2 :** Reinforce deviation of Zgounder river

**Completion :** Completed in Q4 2020.

**Objective 3 :** Improve environmental monitoring

**Completion :** Completed in Q1 2021.

CORRECTIVE ACTIONS

As explained above, the most significant source of water pollution is the process pulp overflow at the cyanide plant. Plans have been drawn up for a new - and 25x larger - overflow reservoir, built in reinforced concrete and 100% watertight. Its construction is scheduled for completion in Q2 2021.

A second issue arising from the process pulp overflow is that Zgounder River water levels rise during the rainy season, regularly carrying away the process pulp overflows from the cyanide plant.

During the 1980s, the then mine operators deviated the Zgounder River away to caves under the mountain to prevent flooding of the cyanide process plant. The aerial photo (left) depicts the Zgounder River and its deviation in dark blue and the old riverbed in light blue. As the deviation was too weak, every winter (rainy season) the Zgounder River would temporarily flow back to its previous riverbed by the cyanide process plant, carrying with it all process pulp overflow.

The Corporation’s new management team immediately began work to permanently seal the old riverbed by reinforcing the deviation structure. This has caused the old riverbed to dry off entirely, which in turn has allowed the new management team to start the construction of the overflow pulp reservoir mentioned above.



Water sampling in partnership with external and ISO 17025 certified laboratory.

The last corrective action was to focus on environmental monitoring, which is fundamental to environmental management. The Corporation has partnered with an external laboratory to conduct monthly water quality sampling and analysis of 7 monitoring points. The lab analysis screens for all heavy metals and total cyanide, which will allow the Corporation to track the efficacy of its control measures.

In parallel to the external testing and auditing of water quality, the Corporation is also working on capacity building and on the construction of a new on-site laboratory that will allow it to increase the parameters that it tracks internally.

This monitoring will be fully integrated within the broader ESMS that is being implemented site-wide.



WATER: POLLUTION

The second risk of water pollution is because the TSF were not built or managed to international standards. There are 4 TSFs at the Zgounder Silver Mine. One is the “historical TSF” that was used by operations until the 1990s. The satellite imagery clearly shows the presence of historical leakage under this TSF, observable by the grayish coloration of the soil downstream. The second TSF was used for the new flotation plant built in 2019, but was closed immediately by new management due to instability. Currently, there are 2 active TSFs: one for the cyanidation and the other for the flotation plant. Originally built in 2002, the cyanidation TSF was expanded in 2014 to its current footprint. The dam of the cyanidation TSF shows sign of leakage in the layers built during the early 2000s.



RISK: POLLUTION (#2)

TSF dam leakages or dam failures can impact severely host populations and the environment.

**Objective 1 :** Decommission TSF #2 (flotation circuit)

**Completion :** Completed Q1 2021

**Objective 2 :** Mandate external firm for quarterly audits

**Completion :** First audit completed in Q1 2021.

**Objective 3 :** Overhaul TSF 3&4 infrastructure

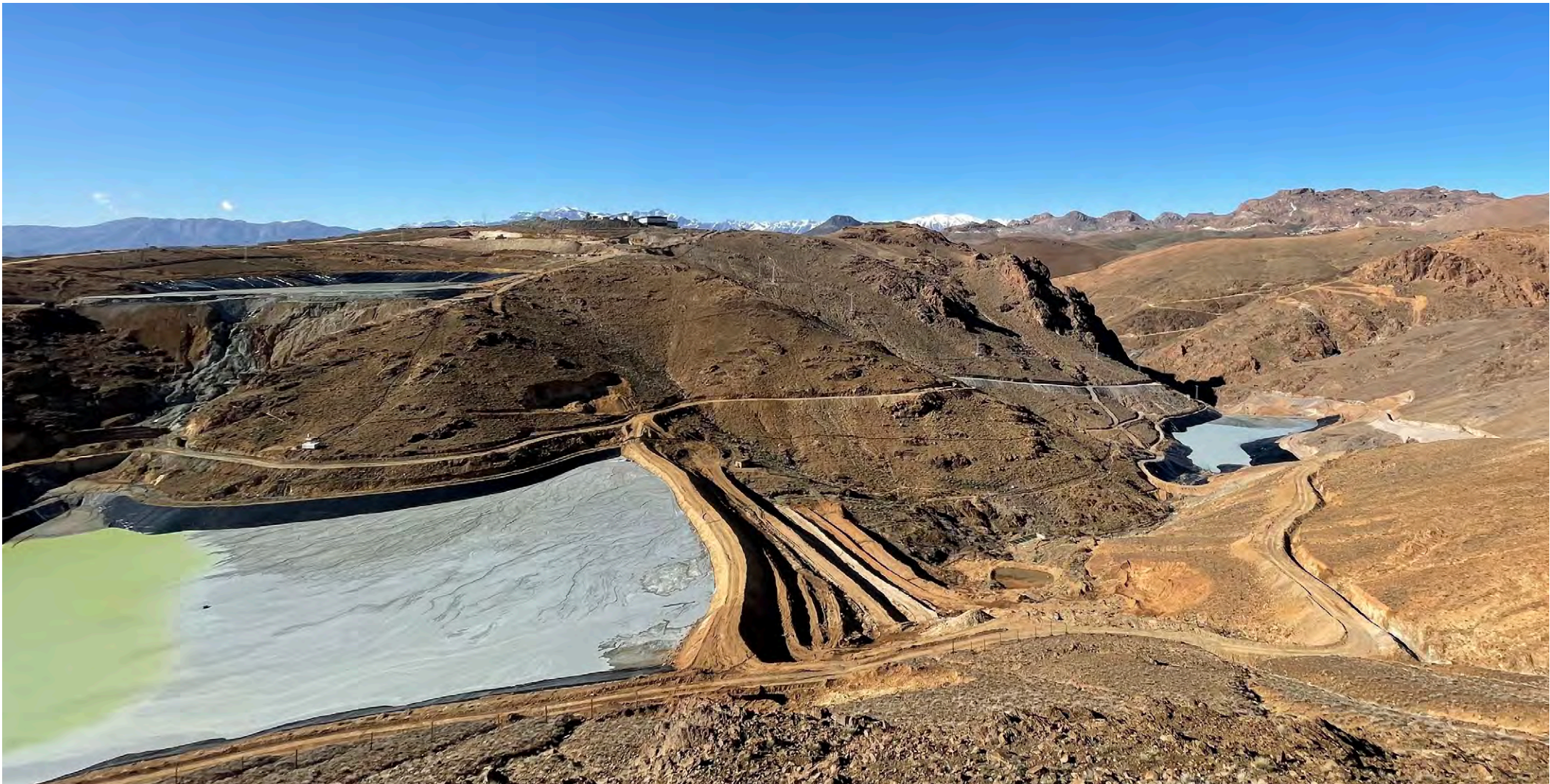
**Completion :** Q4 2021.

**Objective 4 :** Build stormwater management infrastructure

**Completion :** Completed Q2 2021.

CORRECTIVE ACTION

The Corporation’s new management team conducted an internal audit of the four TSFs present at the Zgounder Silver Mine (see page 6 for mapping). The dam on TSF #2 had integrity issues related to a previous collapse so the decision was taken to immediately decommission it and transition the flotation process circuit to TSF #4 (already under



Left: TSF #3 (cyanide circuit) in the center. TSF #2 can be seen in the background on left, above TSF #3, and TSF #4 on the right side, downstream from TSF #3.

construction when new management team arrived on site). Major earth-works were launched to stabilize the TSF #2 dam.

The Corporation’s new management team then mandated an external firm to audit all TSFs, present an action plan, and conduct quarterly audits. The first site visit occurred in January 2021.

TSF #3 and #4 were also upgraded. The dams on both facilities were raised and reinforced, and a water drainage system is being planned to collect leakage along the dam of TSF #3 (cyanide circuit).

Finally, storm water deviation canals were built around all three “contemporary” TSFs (TSF #1 was decommissioned in 1990 and is fully dry). The lack of protection against storm water represents a critical vulnerability for all TSFs.

Below: The storm water canals and service roads run on both sides of the valley.





SOLID WASTE MANAGEMENT

There is no evidence of either a previous solid waste sorting facility or implementation of a waste management plan at the Zgounder Silver Mine. There was a sizable scrap-metal dump containing unsorted plastics, abandoned motors and pumps, and toxic waste in the form of used oil barrels, cyanide containers, and vehicle batteries.

Solid waste is also visible around the mine site, especially in the vicinity of the mechanical maintenance area.

Finally, domestic waste is sent to the local public landfill, which was not built in line with any public or international standards.



Metal scrap mixed with plastics, empty oil barrels, and anything else that can be found on a mine site. This site is located beside the flotation process plant, and from Google Earth satellite imagery it appears that the waste accumulation started with the construction of the flotation plant in 2018.

On the right : An aerial photograph from September 2020 showing the metal scrap dump (in blue circle) by the flotation plant.

### RISK: SOLID WASTE

Solid waste can be managed by implementing a waste management plan. Its implementation involves several tasks/ objectives:

**Objective 1 :** Sort existing solid waste

**Completion :** Completed Q2 2021

**Objective 2 :** Level off platform and build waste sorting facility with concrete slab floor and roof for contaminated waste (vehicle used oil and batteries, chemical product containers, etc...), compost pit and contaminated soil bioremediation.

**Completion :** Q4 2021

**Objective 3 :** Hire and train new surface team to manage waste sorting facility and waste collection throughout the site.

**Completion :** Q3 2021

**Objective 4 :** Draw up contract with external firm to dispose of toxic waste and other non recyclable/reusable waste.

**Completion :** Q1 2021.



Empty metal barrels and tires sorted and organized.

CORRECTIVE ACTION

The first corrective action was to sort and reorganize all the solid waste in the scrapyard. Many scrap metal pieces could be used by the Corporation’s site welders and maintenance team with the latter supervising the sorting process. Partnerships can also be established with members of the local communities that need raw material such as lumber, or scrap metal.

The Corporation’s new management team then started a consultation and study process to draft and implement a Waste Management Plan (“WWP”), for integration within the ESMS.

Work has already commenced on implementation of the WWP, which will involve many stages. The Corporation new management team will leverage the project to effect change that will inspire on-site employees and have measurable impact. A team consisting of a supervisor and six dedicated workers has already been recruited to sort, recycle and manage the waste sorting site, which is currently under construction.



# SOCIAL

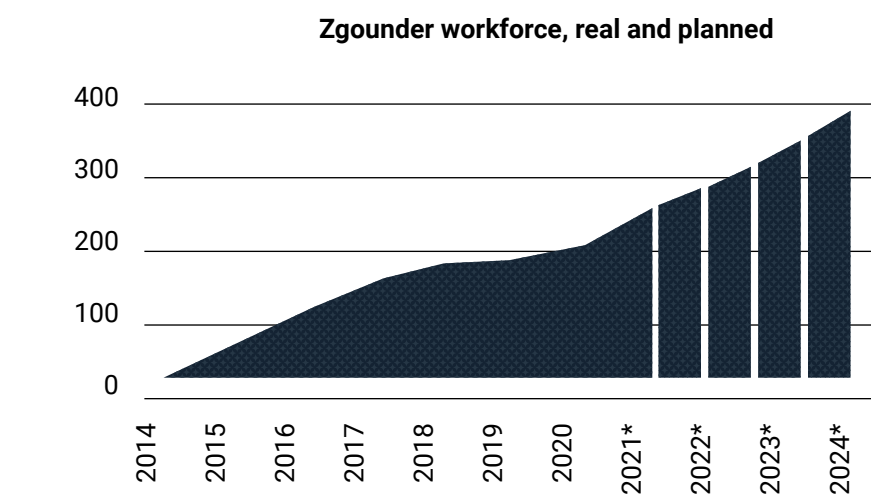
## AYA’S PEOPLE

The Corporation’s success is dependent on its 207 employees, a number which has been steadily increasing since 2014. It is their motivation and desire for excellence that drives the Corporation’s performance and will help it achieve its corporate goals. The Corporation believes in the importance of recruiting local employees and in continually enhancing their skills and knowledge.

The Corporation expects employee numbers to grow significantly in 2021. The Corporation’s new management team objectives are to fill positions left vacant by the previous administration in addition to reinforcing the management and governance structures across all mine site departments.

The new management spent months familiarizing themselves with employees and their experiences throughout the project’s history and vicissitudes. Many members of the workforce have been working on the Zgounder Project since its 2014 restart.

The Corporation believes the HR team lacked means and resources to provide the level of service needed, as exemplified by the continual HR administration issues including missing pay stubs and lost files for insurance claims. Additionally, there was no dedicated HR representative on site, only at the national headquarters in Casablanca.



Finally, there were also many complaints about food supply and quality at the canteen, the standard of housing, heating, hot water supply, and generally poor living standards.

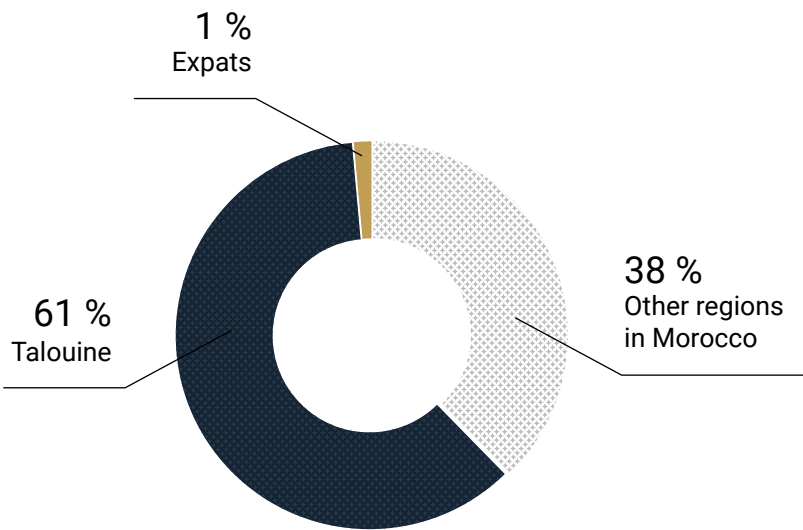
The change of management and subsequent capital inflow have had a profound impact on the local community and our work-force, which is reinvigorated and highly and motivated to bring the Zgounder Silver Mine to the level of excellence that it deserves.

### CORRECTIVE ACTION

The first step was to fill vacant roles and create a proper HR department with a HR manager on site. An HR specific Action Plan was put forward and validated by the site management, and its implementation started in Q4 2020.

Overall, the focus of the Corporation's activities is placed on providing strong support to the Corporation's mine-site employees and improving communication between corporate offices in Casablanca and Montreal and the Zgounder Silver Mine.

AYA GOLD & SILVER - 2020 EMPLOYEE COUNT		
AYA GOLD & SILVER	Headquarters in Montreal	11
ZMSM	Casablanca corporate office and Zgounder Mine	207
AYA TOTAL		219
TOTAL CONTRACTORS		183
SIMT	Mining and labour	37
SONADELEC	Civil engineering and daily labour	78
GROUP 4	Security	32
OUAKLIM	Transport of employees	4
GEOSOND	Mine and exploration drilling	32
TOTAL (CANADA + MOROCCO)		402



**Local hires**  
More than 60% of our employees come from host communities

### RISK: HUMAN RESOURCES

Poor HR policies and living conditions at the mine site encourage high employee turnover.

**Objective 1 :** Fill vacant position of HR manager on site

**Completion :** Completed Q4 2020

**Objective 2 :** Resolve HR administration issues

**Completion :** Completed Q1 2021

**Objective 3 :** Repair worker housing and build new housing units to increase capacity

**Completion :** Q4 2021



HEALTH & SAFETY

Health & Safety (“H&S”) is a major concern at the Corporation’s operations. Preliminary findings from the Corporation’s assessment suggest very few serious accidents and lost-time injuries over the past few years.

There were, however, countless instances of near-misses, some of which could have had serious consequences. This points to a clear lack of risk awareness and to the absence of a H&S culture at all organization levels of the Zgounder Silver Mine. Currently, the Corporation is unable to provide reliable H&S statistics for 2020 or any prior years.

Several key governance mechanisms were missing, among others a H&S department, a H&S committee and subcommittees, incident-reporting procedures, incident registers, and induction procedures.

There was also no emergency preparedness and response plan or procedure, and no on-site doctor readily available.

Finally, procedural and physical control measures such as work-at-height, confined space and lock-out procedures, hand-rails, berms, fences, ventilation, signage and labeling, were inadequate or non-existent.



CORRECTIVE ACTION

Towards the end of 2020, the Corporation launched training and targeted development programs designed to improve employee productivity and safety. The first beneficiaries were employees working in the Corporation’s underground operations who were sensitized to industrial safety standards in the mining sector. Additional training programs are being planned.

Since then, a qualified H&S coordinator has been successfully recruited. Together with the new coordinator, the Corporation launched a risk assessment and identification process to create the ZMSM Risk Register.

Finally, an extremely ambitious H&S Action Plan has been developed for 2021. The table to the right illustrates a portion of the H&S groundwork that is currently being laid by the Corporation’s teams. The action plan is not exhaustive and merely represents a preview of the long-form working document. The eventual goal is to implement a full ESMS inspired by ISO 14001 and ISO 45001 standards.



### RISK: HEALTH & SAFETY

Accidents with serious consequences to employees and communities.

**Objective 1 :** Fill vacant position of H&S Director on site

**Completion :** Completed Q1 2021

**Objective 2 :** Implement ESMS based on ISO 45001 and 14001

**Completion :** Completed Q4 2021

**Objective 3 :** Draft and implement Emergency Response Plan and Mine Rescue Plan

**Completion :** Q4 2021

H&S ACTION PLAN 2021		
ACTION		2021
PPE: review stocks, order missing equipment, review quality, and map PPE zones		Q1
Traffic management plan	Map risk areas & designate parking areas	Q1
	Draw up safety belt inventory and light vehicle check up schedule	Q2
	Ensure maintenance of roads, safety berms and railings	Q3-Q4
	Purchase and install signage	Q2
	Draft traffic plan and standards	Q2
Hazardous material	Compile list of hazardous products or material used on site	Q1
	Establish Safety Data Sheet for each product	Q2
	Review hazardous material storage	Q2
	Draft procedures for handling and disposal of hazardous material	Q2
Dangerous machinery (conveyors, crushers, ...)	Install protective covers on dangerous machinery	Q1
	Install emergency stop pull cord switches	Q2
	Install machine start siren devices	Q3
Electrical risk	Secure electrical rooms and panels	Q2
Fire risk	Identify contractors to store and maintain all fire prevention equipment, and provide training on equipment use	Q3
Work-at-height	Generalize physical control measures	Q3
	Establish work-at-height permits	Q3
	Maintain staircases and install gratings	Q3
Lock-out	Establish lock-out procedures	Q3
	Purchase all necessary equipment	Q3
	Provide training on equipment and procedure	Q4
Cyanide Management Plan	Review providers and transport companies and standards applied	Q1
	Establish clear contractual language for responsibility	Q1
	Draft and implement emergency response plan	Q4
	Refurbish area of storage room for specific use of cyanide storage	Q2
	Provide training on cyanide handling precautions	Q4
Risk register	Conduct workshops to establish ZMSM Risk Register	Q4



LOCAL PROCUREMENT

The Corporation is delighted to highlight the Zgounder Silver Mine’s strong performance relative to local procurement. While there is no local procurement policy, the mine’s culture of self-reliance and practicality has meant that many purchases are made locally.

The following table presents the 2020 procurement spend for the Zgounder Silver Mine operations.



2020 PROCUREMENT EXPENSE	
International	1,220,675
National	5,237,021
Regional (Agadir and Ouarzazate)	846,200
Local (Talouine)	360,484
TOTAL SPEND (in CAD)	7,664,381

**Local content**  
All of the food served at the Zgounder Silver Mine camp is sourced locally, while 16% of total purchasing spend is made within the Agadir and Ouarzazate regions (within a 200km radius of the Zgounder Silver Mine).

Left: Food market in Askaoun, the main village near the Zgounder Mine.

Below: Vegetable fields in Tamseksit, 5km from the Zgounder Mine.



As in other departments, there was however room for improvement within the procurement process. On the one hand, there was weak supplier due diligence. Suppliers with poor behavior or performance were warned about the issues and replaced if the situation did not subsequently improve. Supplier due diligence was informal and most often carried out reactively, on the discovery of significant issues by management. On the other hand, there was no protocol to assess the quality of supplier services.

Locally based suppliers were mainly identified and sourced by on-site management to meet mine camp operating needs (food and house-keeping products) and production emergencies. There is no specific policy to promote economic inclusion when selecting suppliers. Generally, the supplier’s reactivity is the main criteria, with smaller and local suppliers predominately favored due to their faster response times.

Additionally, there is no specific requirement for major on-site contractors to prioritize local suppliers. The two main contractors are based in Askaoun itself, the main village located 2 km from the Zgounder Silver Mine, which represents 65% of the contractors.

CORRECTIVE ACTION

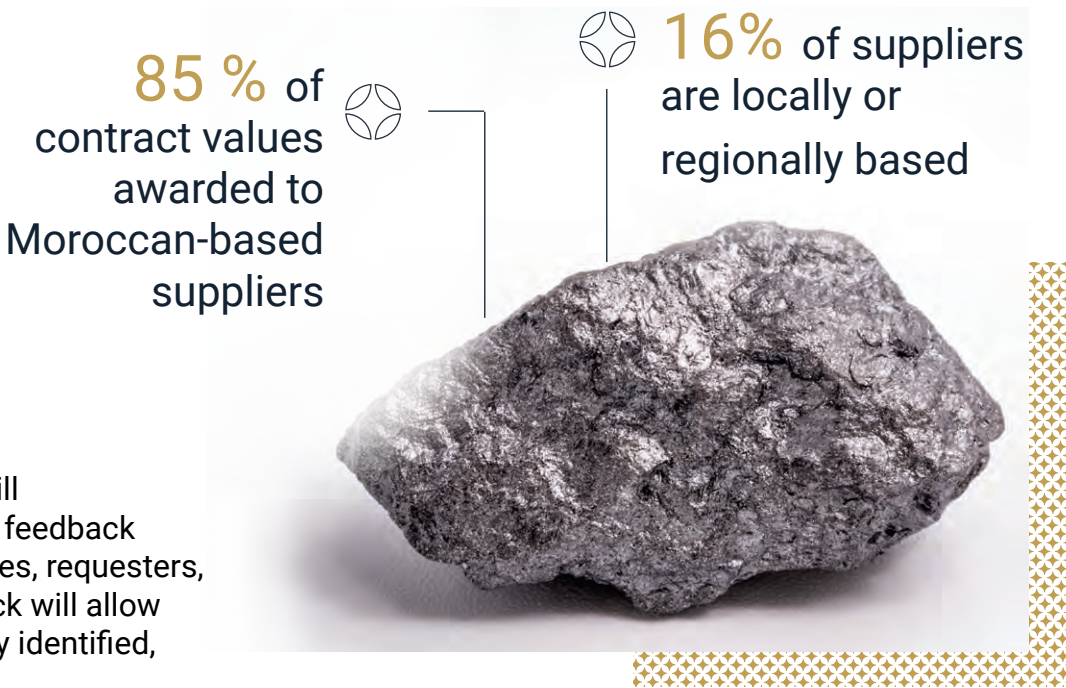
Given the excellent level of local procurement at the Corporation’s Zgounder Silver Mine operations, corrective actions will mainly focus on formalizing what is already good practice, and on improving the due diligence process and anti-corruption procedures.

The supplier due diligence process will be formalized to obtain quick, written feedback directly from front line staff (employees, requesters, and supervisors). Systematic feedback will allow “Excellent” suppliers to be more easily identified,

and the rating system will incentivize the Corporation to deepen its relationships with “Excellent” suppliers, thus creating more “win-win” partnerships.

In line with formalizing the purchasing process further, the Corporation is in the process of developing a “General Terms and Conditions” policy for all purchase orders. This new policy will outline the respective parties’ responsibilities and performance expectations, and the potential consequences if these are not met. The policy will cover goods and services, including OPEX and small CAPEX; however, large CAPEX projects will be managed by duly agreed upon purchase contracts.

Finally, the Corporation will establish sole-source supplier agreements for key supplies and services (including predetermined price lists and price escalation clauses). This may lead to slightly higher pricing, because we will give more weight to criteria such as overall customer service levels, the quality of work/ products, and the responsiveness to the Corporation’s specific needs (technical requirements and geographic location).





COMMUNITY RELATIONS

The Zgounder Silver Mine has over 40 years of history that spans several operators and administrations, from state companies to private ownership, and includes intermittent periods of inactivity. This has resulted in complicated relations and historical baggage with the communities. There is no recorded complaint management system and/or resolution mechanism. Furthermore, the Zgounder Silver Mine has never had a Community Relations’ Team, minimizing interactions and rendering them informal and unproductive.

Additionally, there exist laws and customs specific to the local communities. Communication with local communities are generally centralized with the local authorities. Therefore, while there is a community grievance resolution mechanism in place, it is not handled by the mine-site management.

Between 2013 and 2019, there were also instances where community members were given cash compensations, and many unfulfilled promises were made for community development programs. This has resulted in both mistrust and high expectations towards management at the Zgounder Silver Mine.

CORRECTIVE ACTION

The first step was to create a Community Relations’ Department at the Zgounder Silver Mine, starting with a Community Relations Coordinator. Several rounds of consultations were held with the local authorities to explain the Corporation’s management change and to share plans for the future. Community meetings have also been held to establish contact, to present the new team in place, and to understand the community’s history and relationships with the Zgounder Silver Mine and its previous management.

The development of collaborative relations with each of the Corporation’s stakeholder groups will be key to generating shared value for the host communities and all the Corporation’s stakeholders. The Corporation’s priority in 2021 is therefore to create a permanent consultative platform that will present a coherent strategy tailored to the needs of the various actors. Among others, this structure will ensure information sharing, and the involvement and participation of all parties in the development and decision-making for the Corporation’s projects.

The Corporation’s action plan will be aligned with the ambitions of the Kingdom of Morocco in the areas of Environment, H&S and Human Development. The Corporation has identified three pillars for this action plan:

i) Education; ii) Health; and iii) Income Generating Activities.

Collaborative relationships and sustainable development projects require data and a good understanding of the dynamics, the actors and the needs and opportunities. Additional consultation will take place into the year-end with the levels of public administration pertinent to community development, and in-depth socioeconomic surveys and focus-group meetings will be held with the Corporation’s host communities.

The Corporation looks forward to reporting next year on the development projects and collaboration structures put in place.



Village of Miyal, near the Zgounder Silver Mine



RISK: COMMUNITY RELATIONS

Difficulty in rebuilding trust and establishing transparent relationships.

**Objective :** Understand the context: aquire data, hold consultations, map stakeholders and projects already underway, understand past mistakes, and identify opportunities.

**Completion :** Q4 2021



# GRI INDEX & LRPM

This section provides the content index for both the Global Reporting Initiative and the Mining Local Procurement Reporting Mechanism (“LRPM”). The LRPM is a set of disclosures that seeks to standardise how the global mining industry and host countries measure and talk about local procurement. Commissioned by GIZ and created by the Mining Shared Value initiative of Engineers Without Borders Canada, the LRPM helps mine sites report on local procurement to:

- ✦ Improve internal management in mining companies to create more benefits for host countries and to strengthen their social license to operate.
- ✦ Empower suppliers, host governments, and other stakeholders with practical information that helps them to collaborate with mine sites.
- ✦ Increase transparency in the procurement process to deter problematic practices such as corruption.

LPRM	Mining Local Procurement Reporting Mechanism Disclosures	Page number(s) and/or URL(s)	
LRPM 100: Context for local procurement disclosures			
Disclosure 101	101: Context	4, 5, 9, 16	
LRPM 200: Procurement systems			
Disclosure 201	201: Policy on local suppliers	16	
Disclosure 202	202: Accountability on local suppliers	16	
Disclosure 203	203: Major contractors and local suppliers	16	
Disclosure 204	204A : Point of contact for suppliers	16	Not available
	204B: Supplier procurement portals, databases or registry	16	Not available
	204C: Support for prequalification	16	Not available
	204D: Supplier development programs	16	Not available
LRPM 300: Local procurement spending by category			
Disclosure 301	301: Categorising suppliers	16	
Disclosure 302	302: Breakdown of procurement spend	16	
LRPM 400: Local procurement due diligence			
Disclosure 401	401: Due diligence process	16	
Disclosure 402	402: Anti-corruption policy	8	
Disclosure 403	403: Training and guidance for suppliers	16	Not available



GRI Standard	Disclosure	Page	Comment
General disclosure			
GRI 102: General Disclosures 2016	Organizational profile		
	102-1 Name of the organization	4	
	102-2 Activities, brands, products, and services	4	
	102-3 Location of headquarters	4	
	102-4 Location of operations	4	
	102-5 Ownership and legal form	4	
	102-6 Markets served	4	
	102-7 Scale of the organization	4	
	102-8 Information on employees and other workers	14	
	102-9 Supply chain	16	
	102-10 Significant changes to the organization and its supply chain	16	
	102-11 Precautionary Principle or approach	8	
	102-12 External initiatives	8	
	102-13 Membership of associations	8	
	Strategy		
	102-14 Statement from senior decision-maker	3	
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior		See Code of Conduct and Business Ethics
		<a href="https://ayagoldsilver.com/corporate-governance/">https://ayagoldsilver.com/corporate-governance/</a>	
	Governance		
	102-18 Governance structure	8	
	102-20 Executive-level responsibility for economic, environmental, and social topics	8	
	102-21 Consulting stakeholders on economic, environmental, and social topics	8, 17	
	102-29 Identifying and managing economic, environmental, and social impacts	8	
	102-30 Effectiveness of risk management processes	8	
	102-31 Review of economic, environmental, and social topics	8	
	102-35 Remuneration policies	8	
	Stakeholder engagement		
	102-40 List of stakeholder groups	17	
	102-41 Collective bargaining agreements	No agreements in place	
	102-42 Identifying and selecting stakeholders	17	
	102-43 Approach to stakeholder engagement	17	
	102-44 Key topics and concerns raised	17	
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	Aya Gold & Silver Inc.	
	102-46 Defining report content and topic Boundaries	9	
	102-47 List of material topics	9	
	102-48 Restatements of information	N/A	No previous report
	102-49 Changes in reporting	N/A	No previous report
	102-50 Reporting period	9	
	102-51 Date of most recent report	N/A	No previous report
	102-52 Reporting cycle	9	
	102-53 Contact point for questions regarding the report	20	
	102-54 Claims of reporting in accordance with the GRI Standards	9	
	102-55 GRI content index	18-19	
	102-56 GRI External assurance	9	



GRI Standard	Disclosure	Page number(s) and/or URL(s)	
Material Topics			
200 series (Economic topics)			
Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	8	No evaluation yet
	103-2 The management approach and its components	8	
	103-3 Evaluation of the management approach	8	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	8	
300 series (Environmental topics)			
Water			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	10	No evaluation yet
	103-2 The management approach and its components	10	
	103-3 Evaluation of the management approach		
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	10	
	304-3 Water discharge	10	
	303-3 Water consumption	10	
Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	13	No evaluation yet
	103-2 The management approach and its components	13	
	103-3 Evaluation of the management approach		
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	10	
	306-2 Waste by type and disposal method	13	
	306-3 Significant spills	12	
	306-4 Transport of hazardous waste	13	
	303-5 Water bodies affected by water discharges and/or runoffs	11	
Environmental Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	8	No evaluation yet
	103-2 The management approach and its components	8	
	103-3 Evaluation of the management approach		
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	8	

GRI Standard	Disclosure	Page number(s) and/or URL(s)	
400 series (Social topics)			
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	26	No evaluation yet
	103-2 The management approach and its components	26	
	103-3 Evaluation of the management approach	N/A	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	15	No evaluation yet
	103-2 The management approach and its components	15	
	103-3 Evaluation of the management approach	N/A	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	15	No evaluation yet
	403-2 Hazard identification, risk assessment, and incident investigation	15	
	403-3 Occupational health services	15	
	403-4 Worker participation, consultation, and communication on occupational health and safety	15	
	403-5 Worker training on occupational health and safety	15	
	403-6 Promotion of worker health	15	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	15	
	403-9 Work-related injuries	15	
	403-10 Work-related ill health	15	
	Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	14	No evaluation yet
	103-2 The management approach and its components	14	
	103-3 Evaluation of the management approach	N/A	
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	14	
Local Communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	17	No evaluation yet
	103-2 The management approach and its components	17	
	103-3 Evaluation of the management approach	N/A	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	17	
	413-2 Operations with significant actual and potential negative impacts on local communities	17	

We value your opinion. To ensure that our Corporation and our operations continue to meet your expectations, please send your questions and comments by e-mail to the following address: [info@ayagoldsilver.com](mailto:info@ayagoldsilver.com)





GOLD & SILVER

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