

Ticker: AYA CN
Market cap: C\$806m

Net cash: US\$32m (+US\$29m options)
Price: C\$8.44/sh

Project: Zgounder
Country: Morocco

RECOMMENDATION (unc): BUY

TARGET (unc): C\$9.00/sh

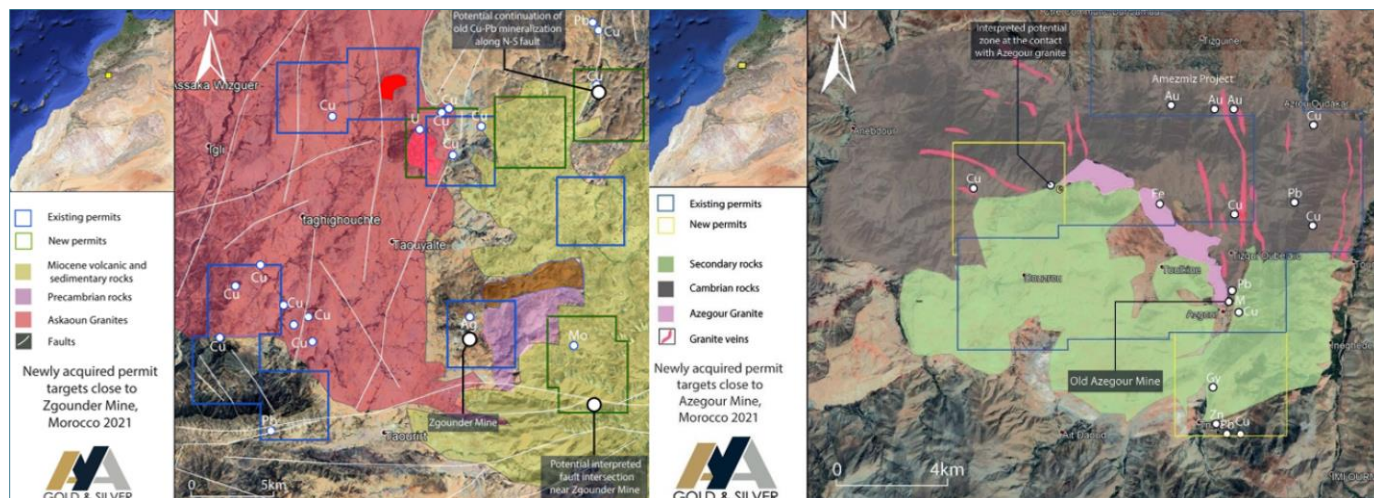
RISK RATING: HIGH

Today's seven new exploration licenses support Aya's regional consolidation strategy and ties in nicely to support the company's organic growth potential. In our view, Aya's recent drill success at Zgounder is a testament to management's geological understanding that can now be applied regionally across the broader 168km² land package at Zgounder and 129km² at Azegour. Interesting here is the base metal optionality potential, with several known occurrences identified along the new licenses. The already aggressive 2021 drill program just got more interesting with exploration expected to begin at the new licenses in the coming weeks concurrent with the meaningful step outs are Zgounder on strike and at depth. **As such, we maintain our BUY rating reiterate our C\$9.00 price target based on 1.5x NAV_{5%-24/oz}, equivalent to 1.3xNAV_{5%} at spot prices.** Stepping back, Aya has now reached institutional size and with a further pipeline of assets in Morocco and the Tijirit gold asset in Mauritania, Aya has the flagship asset, pipeline of growth assets, and management team that could enable a multi-asset precious metals mid-tier.

New regional exploration targets unlocked with 7 new licenses around Zgounder / Azegour

Aya has been granted **seven new exploration permits**, for a 40% lift in holdings around Zgounder and Azegour area. A total of five permits at Zgounder have been added, increasing the land package from 112km² to 168km², and include known Cu-Au-Ag mineralization located on the western edge of the Sirwa Massif of the Anti-Atlas Mountains, on the southern edge of the High-Atlas Mountains, and to the east of the Askaoine granite (Figure 1A). At Azegour, 29km² is added with two new permits, one located to the NW of the Azegour property and other immediate south of the old Cu-Mo Azegour mine (Figure 1B).

Figure 1. Aya's exploration licenses near (A) Zgounder and (B) Azegour



Source: Aya Gold & Silver

Why we like Aya Gold & Silver

1. Proven management team led by Benoit La Salle (Semafo founder)
2. 100Moz resource target incorporates just current strike extent, with step outs as upside.
3. Step out heavy 41,000m drilling program planned for 2021
4. Operational turnaround achieving scale at 1.2Mozpa current run rate and pathway to SCPe 6Mozpa pure-play silver production.

Catalysts

1. 1H21: Completion of 700tpd plant upgrades

- 2H21: Updated resource and reserve and 2,000tpd feasibility study
- Mid-2024: SCPe 2,000tpd run rate

Research

Justin Chan (London) M: +44 7554 784 688 jchan@sprott.com

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Brandon Gaspar (Toronto) M: +1 437 533 3142 bgaspar@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Ticker: AYA CN		Price / mkt cap: C\$8.44/sh, C\$806m		Market P/NAV: 1.42x		Assets: Zgounder	
J Chan / B Gaspar		Rec / PT: BUY / C\$9.00		1xNAV ₂₀₂₀ FD: C\$5.96/sh		Country: Morocco	
Group-level SOTP valuation						Share data	
	1Q21	2Q21E					
	US\$m	O/ship	NAVx	C\$/sh	Basic shares (m): 95.5	FD + options (m): 109.2	FD + FF 109.2
Zgounder NPV 2Q21E	403	100%	1.0x	4.62	Commodity price	CY20E	CY21E
Central SG&A & fin costs 2Q21E	(20)	-	1.0x	(0.23)	Silver price (US\$/oz)	CY22E	CY23E
Ounces outside mine plan (\$50/oz AuEq)	-	100%	1.0x	-	Ratio analysis	CY20E	CY21E
Other assets (50/oz AuEq)	77		1.0x	0.88	FD shares out (m)	CY22E	CY23E
Cash and restr. cash 1Q21	32	-	1.0x	0.36	EPS (US\$/sh)	109.2	109.2
Debt 1Q21	(0)	-	1.0x	(0.00)	CFPS before w/c (US\$/sh)	109.2	109.2
ITM options	29	-	1.0x	0.33	FCFPS pre growth spend (US\$/sh)	0.016	0.030
1xNAV5% US\$24/oz	521			5.96	CFPS/sh (US\$/sh)	0.02	0.10
Target multiples	Multiple			C\$/sh	FCFPS pre growth spend (US\$/sh)	0.08	0.16
Target P/NAV Multiple	1.5x			9.00	FCF/sh (US\$/sh)	0.07	0.21
Target price				9.00	EV (US\$m)	0.07	0.21
1xNAV sensitivity to gold price and discount / NAV multiple					FCF yield - pre growth spend (%)	neg	1.1%
1xNAV Zgounder (US\$m)	\$15oz	\$20oz	\$24oz	\$30oz	FCF yield (%)	neg	neg
7% discount	55	208	331	515	PER (x)	(329.4)	198.6x
5% discount	74	257	403	623	P/CF (x)	222.7x	59.4x
3% discount	100	320	496	760	EV/EBITDA (x)	5,497.4x	79.4x
Valuation (C\$/sh)	\$15oz	\$20oz	\$24oz	\$30oz	Income statement	CY20E	CY21E
1.0xNAV	2.18	4.28	5.96	8.47	Revenue (US\$m)	CY22E	CY23E
1.5xNAV	3.27	6.42	8.94	12.71	COGS (US\$m)	14	29
2.0xNAV	4.36	8.56	11.92	16.95	Gross profit (US\$m)	(8)	(14)
Valuation over time	1Q20E	1Q21E	1Q22E	1Q23E	Expenses (US\$m)	6	15
Mines NPV (US\$m)	403	423	443	470	Impairment & other (US\$m)	22	22
Cntrl G&A & fin costs (US\$m)	(25)	(22)	(18)	(12)	Net finance costs (US\$m)	38	38
Net cash at 1Q (US\$m)	30	23	14	51	Tax (US\$m)	(2)	(3)
Other Assets + Options	105	105	105	105	Minority interest (US\$m)	(3)	(8)
1xNAV (US\$m)	514	529	544	614	Net income attr. (US\$m)	-	-
P/NAV (x):	1.43x	1.39x	1.35x	1.20x	EBITDA	-	-
1xNAV share px FD (C\$/sh)	5.89	6.06	6.23	7.03	Cash flow	CY20E	CY21E
ROI to equity holder (% pa)	-30%	-28%	-14%	-6%	Profit/(loss) after tax (US\$m)	CY22E	CY23E
1.2xNAV share px FD (C\$/sh)	7.06	7.27	7.48	8.44	Add non-cash items (US\$m)	CY23E	CY24E
ROI to equity holder (% pa)	-16%	-14%	-6%	0%	Less wkg cap / other (US\$m)	1	10
Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag	Cash flow ops (US\$m)	16	51
Measured, ind. & inf. - Zgounder	4.73	44.8		9.5	PP&E (US\$m)	35	35
SCPe Mine inventory - Zgounder	9.82	90.0		7.8	Other (US\$m)	(2)	(11)
Other assets - M&I&I	22.69	18.6	1,295		Cash flow inv. (US\$m)	(25)	(36)
Total M&I&I	27.42	63.4	1295	11.1	Debt draw (repayment) (US\$m)	(36)	(20)
Production (100%)	CY19A	CY20E	CY21E	CY22E	Equity issuance (US\$m)	20.0	-
Zgounder (000oz Ag)	452	690	1,411	2,072	Other (US\$m)	(1.6)	-
Zgounder cash cost (US\$/oz)	6.68	9.67	9.22	8.29	Cash flow fin. (US\$m)	18.3	25.0
Zgounder AISC (US\$/oz)	18.83	11.82	11.90	9.70	Net change post forex (US\$m)	25.0	25.0
Group (000oz Ag)	452	690	1,411	2,072	Balance sheet	2.4	(20.0)
Group cash cost (US\$/oz)	7.84	12.09	10.00	9.31	Cash (US\$m)	13	24
Group AISC (US\$/oz)	21.46	22.52	16.66	12.59	Accounts receivable (US\$m)	16	17
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development					Inventories (US\$m)	5	9
					PPE & exploration (US\$m)	30	39
					Other (US\$m)	2	12
					Total assets (US\$m)	72	110
					Debt (US\$m)	0	25
					Other liabilities (US\$m)	10	12
					Shareholders equity (US\$m)	112	119
					Retained earnings (US\$m)	(51)	(47)
					Minority int. & other (US\$m)	1	1
					Liabilities+equity (US\$m)	72	110

4,000koz

3,000koz

2,000koz

1,000koz

0koz

■ Production (koz Ag)

—● AISC (US\$/oz)

CY19A

CY20E

CY21E

CY22E

CY23E

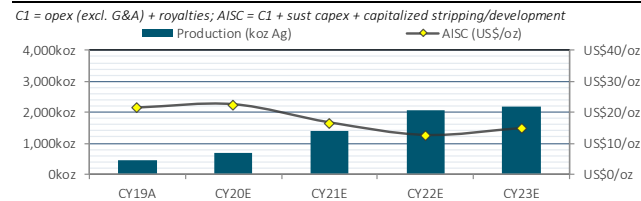
US\$40/oz

US\$30/oz

US\$20/oz

US\$10/oz

US\$0/oz



DISCLOSURES & DISCLAIMERS

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Sprott Capital Partners LP ("SCP"), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada ("IIROC") and the Canadian Investor Protection Fund ("CIPF"). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol "SI". Sprott Asset Management LP ("SAM"), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP's research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH: SCP's research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP's Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION: Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS: Sprott Partners UK Limited ("Sprott") is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP ("PillarFour") for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott's clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS: This research report was prepared by Sprott Capital Partners LP ("SCP"), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. ("SGRIL"), a broker dealer in the United States registered with the Securities Exchange Commission ("SEC"), the Financial Industry Authority ("FINRA"), and a member of the Securities Investor Protection Corporation ("SIPC"). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

ANALYST CERTIFICATION / REGULATION AC: The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

SPROTT CAPITAL PARTNERS EXPLANATION OF RECOMMENDATIONS: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

NEUTRAL: The stock's total returns are expected to be in line with the overall market

SELL: The stocks total returns are expected to be materially lower than the overall market

TENDER: The analyst recommends tendering shares to a formal tender offering

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

NOT RATED ((N/R): The stock is not currently rated

Research Disclosure		Response
1	SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	YES
2	The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3	An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4	SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	YES
5	Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6	SCP is making a market in an equity or equity related security of the issuer	NO
7	The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8	The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	NO
9	The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of recommendations as of June 2021	
BUY:	42
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	42

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month