

**Ticker:** AYA CN  
**Market cap:** C\$985m

**Net cash:** US\$92m  
**Price:** C\$9.52/sh

**Project:** Zgounder  
**Country:** Morocco

**RECOMMENDATION (unc):** BUY

**TARGET (up):** C\$15.00/sh

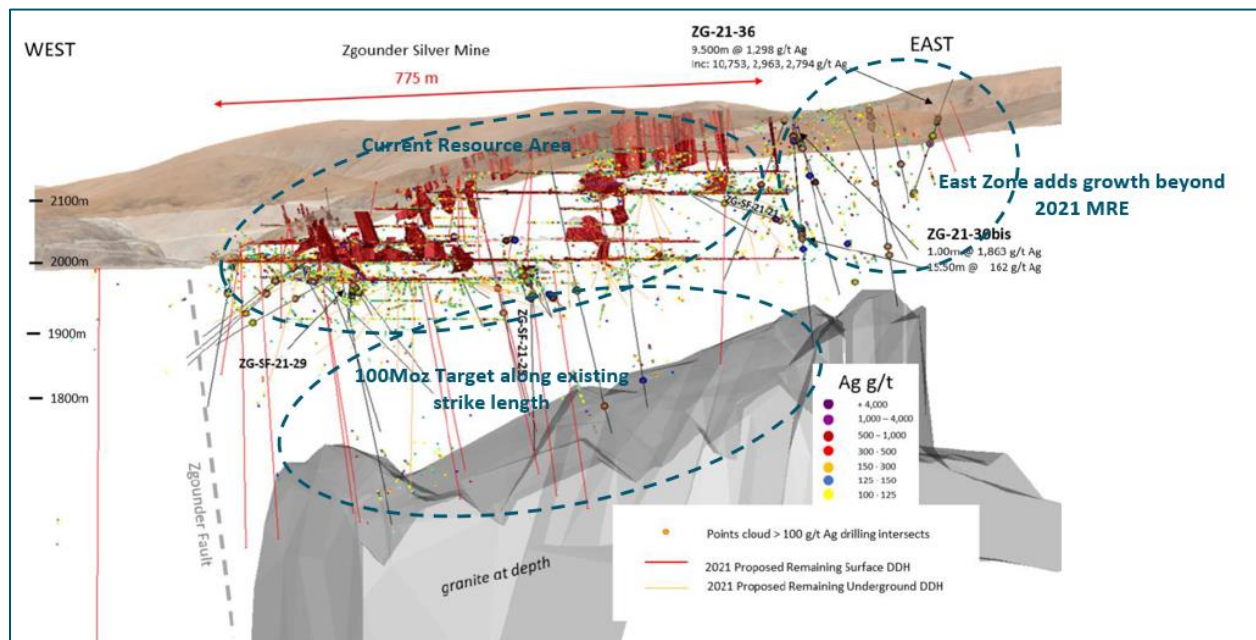
**RISK RATING:** HIGH

Aya's drilling today suggests two major takeaways. First, we expect this year's resource update to achieve toward the top end of the 60-100Moz target, with high grade hits at depth to the contact of the granite body. Second, the East Zone continues to grow, including 9.5m @ 1,298g/t Ag intersected today, and could add another ~30-50Moz next year, with more potential along strike and at depth. Following the close of the C\$70m financing, Aya is now funded for the 2ktpa plant expansion with the resource update expected in Q4 and FS on expansion shortly thereafter. **We maintain our Buy rating, increase our modelled mine inventory estimate to 130Moz, and lift our price target to C\$15.00/sh from C\$13.00/sh based on 2.0x NAV<sub>5%-24/oz</sub>.** In just over 1.5 years, Aya has taken a subscale asset, defined a pathway to 6Mozpa Ag of annual production at a mine life to 15+ years, and achieved GDX and GDXJ index inclusion. We expect the next two years to deliver on that Zgounder growth plan with the high quality execution that management has delivered thus far at Aya and at their previous company, Semafo, where Benoit and team founded the company and built three mines.

## 9.5m @ 1,298g/t expands East Zone, GDX/GDXJ inclusion, C\$70m financing

**Exploration:** Aya announced assay results from 54 drill holes including 14 surface DD, 15 UG DD and 25 T28 holes. Notable results include ZG-21-36: 9.500m @ 1,298g/t Ag extends East Zone ~50m along strike. ZG-SF-21-25 intersected 2.5m @ 1,230g/t hits mineralization at depth at granite contact in the centre of mineralized strike length. ZG-21-30bis intersected 15.5m @ 162g/t and 1m @ 1,863g/t to expand the strike of the main zone. The best overall hit was T28-21-1975-21bis which intersected 7.2m @ 3,065g/t. The 2021 drill program was increased 20% to 42,000m from 35,000m with 39,000m drilled to date.

Figure 1. Surface and underground drilling results at Zgounder



Source: Aya Gold & Silver, annotated by SCPe

**Index inclusion:** Aya announced it will be added to the VanEck GDX and GDXJ ETFs effective as of market close tomorrow 17 September 2021.

**C\$70m financing closed:** Aya announced closing of a C\$70m bought deal financing of 6,830,000 shares at C\$10.25/sh.



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

## Research

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

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

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

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



Ticker: AYA CN		Price / mkt cap: C\$9.52/sh, C\$985m				Market P/NAV: 1.31x		Assets: Zgounder			
J Chan / B Gaspar / E Magdzinski		Rec / PT: BUY / C\$15.00				1xNAV <sub>2020</sub> FD: C\$7.25/sh		Country: Morocco			
Group-level SOTP valuation						Share data					
2Q21		3Q21E				Basic shares (m): 103.5		FD + options (m): 116.1		FD + FF 116.1	
		US\$m	O/ship	NAVx	C\$/sh	Commodity price		CY20E	CY21E	CY22E	CY23E
Zgounder NPV 3Q21E		488	100%	1.0x	5.25	Silver price (US\$/oz)		21.0	25.2	24.0	24.0
Central SG&A & fin costs 3Q21E		(9)	-	1.0x	(0.10)	Ratio analysis		CY20E	CY21E	CY22E	CY23E
Ounces outside mine plan (\$50/oz AuEq)		-	100%	1.0x	-	FD shares out (m)		116.1	116.1	116.1	116.1
Other assets (\$0/oz AuEq)		77	-	1.0x	0.83	EPS (US\$/sh)		(0.015)	0.057	0.075	0.091
Cash and restr. cash 2Q21		92	-	1.0x	0.99	CFPS before w/c (US\$/sh)		0.02	0.13	0.16	0.13
Debt 2Q21		(0)	-	1.0x	(0.00)	FCFPS pre growth spend (US\$/sh)		(0.00)	0.11	0.15	0.11
ITM options		27	-	1.0x	0.29	FCF/sh (US\$/sh)		(0.02)	0.01	(0.08)	(0.19)
1xNAV5% US\$24/oz		674			7.25	EV (US\$m)		600	611	630	720
Target multiples		Multiple			C\$/sh	FCF yield - pre growth spend (%)		neg	1.4%	2.0%	1.5%
Target P/NAV Multiple		2.0x			15.00	FCF yield (%)		neg	0.2%	neg	neg
Target price					15.00	PER (x)		(35.4)	104.5x	80.2x	78.6x
1xNAV sensitivity to gold price and discount / NAV multiple						P/CF (x)		239.8x	46.7x	38.5x	56.4x
1xNAV Zgounder (US\$m)		\$15oz	\$20oz	\$24oz	\$30oz	EV/EBITDA (x)		5,941.1x	54.8x	38.6x	40.2x
7% discount		78	250	388	594	Income statement		CY20E	CY21E	CY22E	CY23E
5% discount		107	318	488	741	Revenue (US\$m)		14	34	42	49
3% discount		145	409	621	939	COGS (US\$m)		(8)	(15)	(19)	(27)
Valuation (C\$/sh)		\$15oz	\$20oz	\$24oz	\$30oz	Gross profit (US\$m)		6	19	22	22
1.5xNAV		5.00	8.00	11.00	15.00	Expenses (US\$m)		(2)	(2)	(3)	(3)
2.0xNAV		6.00	11.00	15.00	20.00	Impairment & other (US\$m)		-	-	-	-
2.5xNAV		8.00	14.00	18.00	25.00	Net finance costs (US\$m)		1.3	(0.0)	-	(0.0)
Valuation over time						Tax (US\$m)		(0.9)	(0.1)	(0.1)	(5.6)
1Q20E		1Q21E	1Q22E	1Q23E	1Q24E	Minority interest (US\$m)		(0.5)	(1.9)	-	(0.7)
Mines NPV (US\$m)		488	511	533	567	Net income attr. (US\$m)		3.9	15.3	19.4	15.4
Cntrl G&A & fin costs (US\$m)		(17)	(14)	(8)	(3)	EBITDA		(1.8)	6.6	8.8	10.6
Net cash at 1Q (US\$m)		30	83	72	114	Cash flow		CY20E	CY21E	CY22E	CY23E
Other Assets + Options		104	104	104	104	Profit/(loss) after tax (US\$m)		(2)	7	9	11
1xNAV (US\$m)		604	683	701	783	Add non-cash items (US\$m)		4	8	9	4
P/NAV (x):		1.46x	1.29x	1.26x	1.13x	Less wkg cap / other (US\$m)		(1)	(2)	(1)	42
1xNAV share px FD (C\$/sh)		6.51	7.36	7.55	8.43	Cash flow ops (US\$m)		1	13	17	57
ROI to equity holder (% pa)		-32%	-23%	-11%	-4%	PP&E (US\$m)		(2)	(13)	(27)	(36)
1.2xNAV share px FD (C\$/sh)		7.81	8.83	9.06	10.11	Other (US\$m)		0	-	-	-
ROI to equity holder (% pa)		-18%	-7%	-2%	2%	Cash flow inv. (US\$m)		(6)	(13)	(27)	(36)
Resource / Reserve		Mt	Moz Ag	Moz Au	EV/oz Ag	Debt draw (repayment) (US\$m)		(0.1)	0.1	-	-
Measured, ind. & inf. - Zgounder		4.73	44.8		9.9	Equity issuance (US\$m)		20.0	-	-	21.4
SCPe Mine inventory - Zgounder		14.13	130.0		5.8	Other (US\$m)		(1.6)	-	-	-
Other assets - M&I&I		22.69	18.6	1,295		Cash flow fin. (US\$m)		18.3	0.1	-	21.4
Total M&I&I		27.42	63.4	1,295	11.9	Net change post forex (US\$m)		13	(0)	(10)	42
Production (100%)		CY19A	CY20E	CY21E	CY22E	Balance sheet		CY20E	CY21E	CY22E	CY23E
Zgounder (000oz Ag)		452	690	1,611	2,072	Cash (US\$m)		33	86	75	117
Zgounder cash cost (US\$/oz)		6.68	9.67	8.75	8.29	Accounts receivable (US\$m)		4	5	6	7
Zgounder AISC (US\$/oz)		18.83	11.83	11.29	9.70	Inventories (US\$m)		2	5	6	7
Group (000oz Ag)		452	690	1,611	2,072	PPE & exploration (US\$m)		30	58	78	110
Group cash cost (US\$/oz)		7.84	12.09	9.25	9.31	Other (US\$m)		2	4	4	4
Group AISC (US\$/oz)		21.46	22.52	15.73	12.59	Total assets (US\$m)		72	157	170	246
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development						Debt (US\$m)		0	0	0	0
■ Production (koz Ag) ◆ AISC (US\$/oz)						Other liabilities (US\$m)		10	13	15	59
						Shareholders equity (US\$m)		112	184	186	207
						Retained earnings (US\$m)		(51)	(46)	(38)	(27)
						Minority int. & other (US\$m)		1	7	7	7
						Liabilities+equity (US\$m)		72	157	170	246
						Total assets (US\$m)		72	157	170	246
						Debt (US\$m)		0	0	0	0
						Other liabilities (US\$m)		10	13	15	59
						Shareholders equity (US\$m)		112	184	186	207
						Retained earnings (US\$m)		(51)	(46)	(38)	(27)
						Minority int. & other (US\$m)		1	7	7	7
						Liabilities+equity (US\$m)		72	157	170	246



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Summary of Recommendations as of September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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