

**Ticker:** AYA CN

**Net cash:** US\$92m

**Project:** Zgounder

**Market cap:** C\$932m

**Price:** C\$9.00/sh

**Country:** Morocco

**RECOMMENDATION (unc):** BUY

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

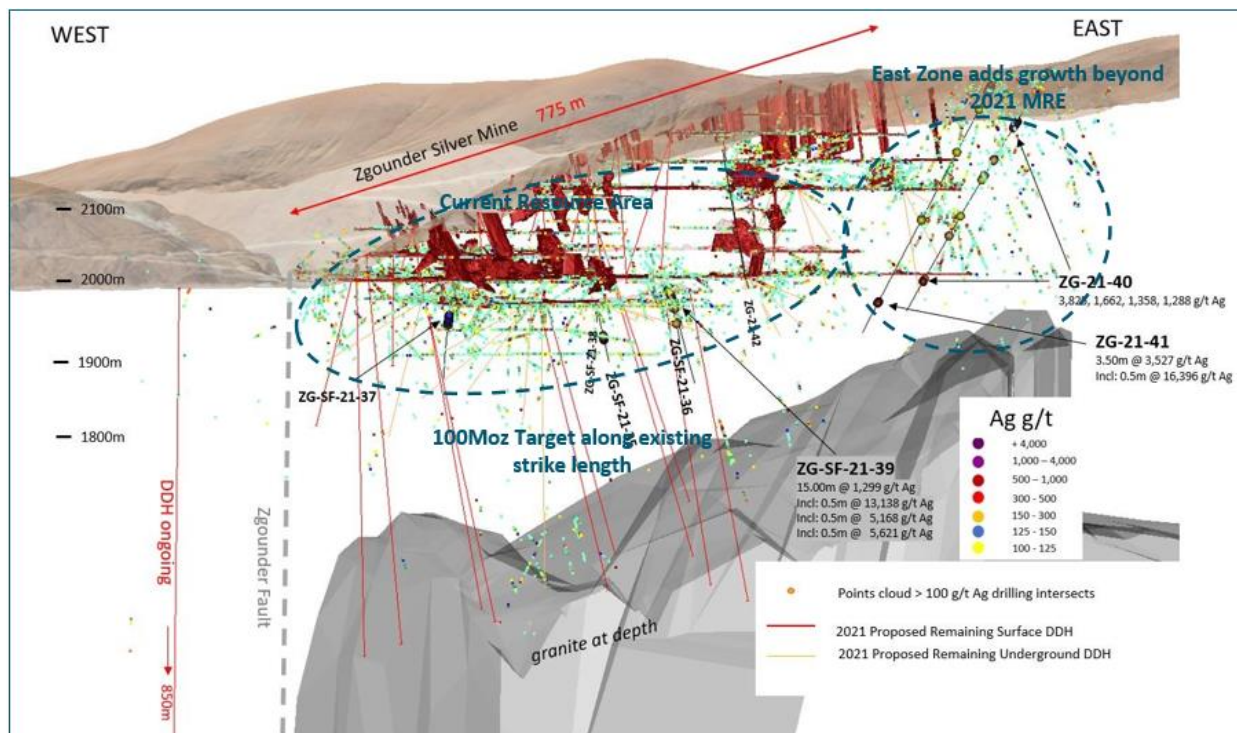
**RISK RATING:** HIGH

Aya's drilling today, with two high grade results at depth in the Zgounder East Zone, adds further confidence that Aya can follow up 2021's 100Moz resource target with a further 30-50Moz next year at the East Zone. While shares have seen a strong re-rate this year, we think that the combination of production growth as Aya ramps up to 6Mozpa from the current 1.5Mozpa run rate, plus continued resource growth provides further positive catalysts for the stock. Moreover, with a first mover in Morocco, a pipeline of projects in country, and management's successful track record at Semafo, we think AYA already has the institutional infrastructure in place to support a multi-asset mid-tier. **We maintain our Buy rating and C\$15.00/sh price target based on 2.0x NAV<sub>5%-24/oz</sub> and on a modelled mine inventory estimate of 130Moz.**

## East Zone expands at depth with 3.5m @ 3,527g/t and 6m @ 845g/t

Aya announced assay results from 7 drill holes including 3 surface DDH and 4 UG DDH. Today's results include two holes which indicate expansion potential at depth at Zgounder East include 6m @ 845g/t from 80m (ZG-21-40) and 3m @ 3,527g/t from 302.5m (ZG-21-41). Other results included 15m @ 1,299g/t from 15 (ZG-21-39, drilled from UG), drilled underneath current mine workings.

**Figure 1. Surface and underground drilling results at Zgounder**



Source: Aya Gold & Silver; annotated by SCPe

## 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

- 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](mailto:jchan@sprott.com)

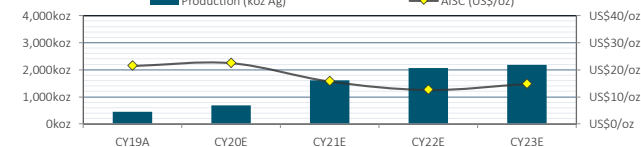
Brock Salier (London) M: +44 7400 666 913 [bsalier@sprott.com](mailto:bsalier@sprott.com)

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\$9.00/sh, C\$932m		Market P/NAV:		1.21x		Assets:		Zgounder	
J Chan / B Gaspar / E Magdzinski		Rec / PT:		BUY / C\$15.00				1xNAV <sub>2020</sub> FD:		C\$7.42/sh		Country:		Morocco	
Group-level SOTP valuation						2Q21		3Q21E							
						US\$m		O/ship		NAVx		C\$/sh			
Zgounder NPV 3Q21E						488		100%		1.0x		5.38			
Central SG&A & fin costs 3Q21E						(9)		-		1.0x		(0.10)			
Ounces outside mine plan (\$50/oz AuEq)						-		100%		1.0x		-			
Other assets (\$50/oz AuEq)						77				1.0x		0.85			
Cash and restr. cash 2Q21						92		-		1.0x		1.02			
Debt 2Q21						(0)		-		1.0x		(0.00)			
ITM options						27		-		1.0x		0.29			
1xNAV5% US\$24/oz						673						7.42			
Target multiples						Multiple						C\$/sh			
Target P/NAV Multiple						2.0x						15.00			
Target price												15.00			
1xNAV sensitivity to gold price and discount / NAV multiple															
1xNAV Zgounder (US\$m)		\$15oz	\$20oz	\$24oz	\$30oz	\$35oz									
7% discount		78	250	388	594	766									
5% discount		107	318	488	741	953									
3% discount		145	409	621	939	1,204									
Valuation (C\$/sh)		\$15oz	\$20oz	\$24oz	\$30oz	\$35oz									
1.5xNAV		5.00	8.00	11.00	15.00	19.00									
2.0xNAV		6.00	11.00	15.00	20.00	25.00									
2.5xNAV		8.00	14.00	19.00	26.00	31.00									
Valuation over time		1Q20E	1Q21E	1Q22E	1Q23E	1Q24E									
Mines NPV (US\$m)		488	511	533	567	615									
Cntrl G&A & fin costs (US\$m)		(17)	(14)	(8)	(3)	(43)									
Net cash at 1Q (US\$m)		30	83	72	114	133									
Other Assets + Options		103	103	103	103	103									
1xNAV (US\$m)		604	683	701	782	808									
P/NAV (x):		1.35x	1.19x	1.16x	1.04x	1.01x									
1xNAV share px FD (C\$/sh)		6.66	7.53	7.73	8.62	8.91									
ROI to equity holder (% pa)		-26%	-16%	-7%	-1%	0%									
1.2xNAV share px FD (C\$/sh)		7.99	9.04	9.27	10.35	10.69									
ROI to equity holder (% pa)		-11%	0%	2%	5%	4%									
Resource / Reserve		Mt	Moz Ag	Moz Au	EV/oz Ag	EV/oz AgEq									
Measured, ind. & inf. - Zgounder		4.73	44.8		9.0	15.6									
SCPe Mine inventory - Zgounder		14.13	130.0		5.4	5.4									
Other assets - M&I&I		22.69	18.6	1,295											
Total M&I&I		27.42	63.4	1,295	11.0	4.0									
Production (100%)		CY19A	CY20E	CY21E	CY22E	CY23E									
Zgounder (000oz Ag)		452	690	1,611	2,072	2,174									
Zgounder cash cost (US\$/oz)		6.68	9.67	8.75	8.29	11.08									
Zgounder AISC (US\$/oz)		18.83	11.83	11.29	9.70	13.01									
Group (000oz Ag)		452	690	1,611	2,072	2,174									
Group cash cost (US\$/oz)		7.84	12.09	9.25	9.31	12.32									
Group AISC (US\$/oz)		21.46	22.52	15.73	12.59	14.84									
C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development															
■ Production (koz Ag) ◆ AISC (US\$/oz)															
4,000koz						US\$40/oz									
3,000koz						US\$30/oz									
2,000koz						US\$20/oz									
1,000koz						US\$10/oz									
0koz						US\$0/oz									
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C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development



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**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

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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 September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

<sup>1</sup> 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