

**Ticker:** AYA CN  
**Market cap:** C\$986m  
 REC. (unc): BUY

**Net cash:** US\$58m  
**Price:** C\$9.39sh  
 TARGET (unc): C\$10.50/sh

**Project:** Zgounder  
**Country:** Morocco  
 RISK RATING (unc): HIGH

In addition to having a tier I asset and an exciting growth profile, Aya can be counted on to meet or beat its targets, with today's 4Q and CY22 production results continuing that trend. Diving in, we note a nice beat on annual guidance (1.6-1.8moz) of 1.9Moz supported by a record-breaking quarter (incl 874tpd mined (776tpd for the year)) that saw production up (+35% vs SCPe 492koz) from both a significant lift in grades (grade processed +30% at 364g/t actual vs SCPe 280g/t) and higher recoveries (+7% vs SCPe 84.0%) supported by continual improvement initiatives by mill operations. Remember last quarter, Aya flagged that grade control initiatives would be a key focus managing the transition to mechanized mining – this quarter shows impressive progress in that regard. Overall, we are impressed to see the degree of operations control with expansion actively under way, highlighting management's ability to not only deliver on promises, both short term targets like annual guidance and longer term promises like resource targets and production growth. For 2023, we maintain our prior estimates which were in line with 2022 guidance, noting 2023 guidance is pending. Of course, being Aya, we wouldn't be surprised if they beat guidance (and our estimates) again. For now, with our forward estimates unchanged, **we maintain our Buy rating and C\$10.50/sh PT based on 1.5x NAV5%-20/oz PT.** Big picture, with Zgounder expansion reaching 7-9Moz run rate in 2H24 at sub \$10/oz AISC, Aya is world class. With a management team having a proven track record for success and more assets in the pipeline we see a bright future ahead.

**Table 1. 4Q22 production vs prior quarters and SCPe**

	Actual				SCPe	QoQ	Vs SCPe	2022A	2023E
	1Q22	2Q22	3Q22	4Q22	4Q22	% chg	% chg		
Tonnes mined (kt)	62.9	63.8	75.9	80.4	65.0	6%	24%	283.1	251.4
Tonnes processed (kt)	62.0	60.0	69.7	63.3	65.0	(9%)	(3%)	255.0	221.4
Average grade (g/t Ag)	192	273	232	364	280	57%	30%	265	286
Silver recovery (%)	80.0%	88.0%	86.0%	89.9%	84.0%	5%	7%	86.6%	84.6%
<b>Total silver produced (koz)</b>	<b>308.3</b>	<b>459.1</b>	<b>451.7</b>	<b>661.6</b>	<b>491.5</b>	<b>46%</b>	<b>35%</b>	<b>1,880.7</b>	<b>1,722.3</b>

Source: Aya Gold & Silver, SCPe

## Strong 4Q22 supports 1,881koz Ag record annual production well above guidance

Aya announced Q4 production with a total of 662koz Ag (+46% QoQ) from 63kt processed (-9% QoQ) at higher 364g/t grades (+57% QoQ) and 89.9% average mill recovery (+5% QoQ) from 80kt mined (+6% QoQ) and record quarterly mine production of 874tpd. Annual production was above guidance at 1,881koz from 255kt processed (283kt mined; 776tpd) at 265g/t and a 86.6% average mill recovery, with grades in line with 264g/t guidance. Ramp up is expected to accelerate in 2Q23 ahead of mine expansion, with new mining equipment arriving on site throughout 2023. An expanded drill program is planned for Zgounder and Boudamine in 2023.

## Why we like Aya Gold & Silver

1. Proven management team led by Benoit La Salle (Semafo founder)
2. Already at 102Moz with potential for another 30-50Moz in 2022
3. Operational turnaround achieving scale at 1.2Mozpa current run rate and pathway 7-9Mozpa at sub \$9/oz AISC pure-play silver production.

## Catalysts

1. 2023 Zgounder & Boudamine exploration drill program, updated MRE
2. 2H22-2H24: Construction of 2ktpd plant, mining ramp up
3. 2H24: SCPe 2,700tpd run rate

## Research

- **Justin Chan** (London) M: +44 7554 784 688 [jchan@sprott.com](mailto:jchan@sprott.com)
- **Eleanor Magdzinski** (Toronto) M: +1 705 669 7456 [emagdzinski@sprott.com](mailto:emagdzinski@sprott.com)
- **Konstantinos Kormpis** (Toronto) M: +1 778-957-3623 [kkormpis@sprott.com](mailto:kkormpis@sprott.com)

<b>Ticker:</b> AYA CN	<b>Price / mkt cap:</b> C\$9.39/sh, C\$986m	<b>Market P/NAV:</b> 1.35x	<b>Assets:</b> Zgounder
<b>Author:</b> J Chan / E Magdzinski	<b>Rec / PT:</b> BUY / C\$10.50	<b>1xNAV<sub>1Q22</sub> FD:</b> C\$6.98/sh	<b>Country:</b> Morocco

Group-level SOTP valuation	3Q22	4Q22E		
	US\$m	O/ship	NAVx	C\$/sh
Zgounder NPV 4Q22E	478	100%	1.0x	5.53
Central SG&A & fin costs 4Q22E	(63)	-	1.0x	(0.73)
Ounces ex mine plan (\$50/oz AuEq)	-	100%	1.0x	-
Other (50/oz AuEq)+linter B. (US\$25m)	109		1.0x	1.26
Cash and restr. cash 3Q22	58	-	1.0x	0.67
Debt 3Q22	(0)	-	1.0x	(0.00)
ITM options	22	-	1.0x	0.25

<b>1xNAV5% US\$20/oz</b>	<b>604</b>			<b>6.98</b>
<b>Target multiples</b>	<b>Multiple</b>			<b>C\$/sh</b>
<b>Target P/NAV Multiple</b>	<b>1.5x</b>			<b>10.50</b>
<b>Target price</b>				<b>10.50</b>

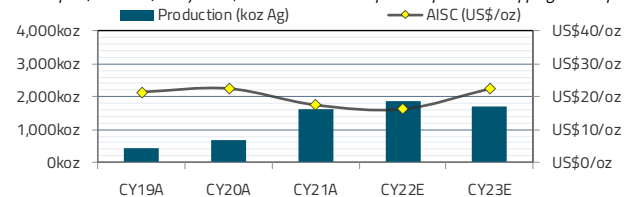
1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV Zgounder (US\$m)	\$15.0oz	\$17.5oz	\$20.0oz	\$22.5oz	\$25.0oz
7% discount	151	269	387	505	623
5% discount	197	336	474	613	751
3% discount	256	421	585	749	913
<b>Valuation (C\$/sh)</b>	<b>\$15.0oz</b>	<b>\$17.5oz</b>	<b>\$20.0oz</b>	<b>\$22.5oz</b>	<b>\$25.0oz</b>
1.0xNAV	3.50	5.00	7.00	8.50	10.00
1.5xNAV	5.50	8.00	10.50	13.00	15.50
2.0xNAV	7.00	10.50	14.00	17.00	20.50

Valuation over time	1Q20A	1Q21A	1Q22E	1Q23E	1Q24E
Mines NPV (US\$m)	426	447	478	541	647
Cntrl G&A & fin costs (US\$m)	(63)	(61)	(61)	(63)	(59)
Net cash at 1Q (US\$m)	30	81	35	(34)	(25)
Other Assets + Options	131	131	131	131	131
1xNAV (US\$m)	525	598	583	575	694
P/NAV (x):	1.55x	1.36x	1.39x	1.41x	1.17x
1xNAV share px FD (C\$/sh)	6.06	6.91	6.73	6.65	8.02
ROI to equity holder (% pa)	-35%	-26%	-15%	-11%	-4%
1.2xNAV share px FD (C\$/sh)	7.27	8.30	8.08	7.98	9.62
ROI to equity holder (% pa)	-23%	-12%	-7%	-5%	1%

Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag	V/oz Ag
M&I + Inf - Zgounder	10.13	102.5		5.4	7.2
SCPe inventory - Zgounder	15.55	130.0		5.6	5.6
Other assets - M&I&I	22.69	18.6	1,295		
Total M&I&I	32.82	121.0	1,295	6.1	3.1

Production (100%)	CY19A	CY20A	CY21A	CY22E	CY23E
Zgounder (000oz Ag)	452	690	1,601	1,881	1,722
Zgounder cash cost (US\$/oz)	6.68	12.07	9.77	11.33	13.04
Zgounder AISC (US\$/oz)	18.83	14.19	12.28	12.64	19.48
Group (000oz Ag)	452	690	1,601	1,881	1,722
Group cash cost (US\$/oz)	7.84	12.09	9.77	11.45	14.14
Group AISC (US\$/oz)	21.46	22.52	17.58	16.30	22.39

C1 = opex (excl. G&A) + royalties; AISC = C1 + sust capex + capitalized stripping/development



Source: SCP estimates

Share data			
Basic shares (m):	105.0	FD + options (m):	115.7
		FD + FF	115.7

Commodity price	CY20A	CY21A	CY22E	CY23E	CY23E
Silver price (US\$/oz)	21.0	22.5	20.9	23.2	21.3

Ratio analysis	CY20A	CY21A	CY22E	CY23E	CY23E
FD shares out (m)	83.7	102.7	115.7	115.7	115.7

EPS (US\$/sh)	(0.021)	0.012	0.023	0.018	0.252
CFPS before w/c (US\$/sh)	0.03	0.10	0.10	0.07	0.42
FCFPS pre gth spend (US\$/sh)	(0.00)	0.15	0.10	(0.01)	0.33
FCF/sh (US\$/sh)	(0.03)	(0.13)	(0.32)	(0.74)	0.13
EV (US\$m)	1,020	1,153	665	784	794
FCF yield ex gth spend (%)	neg	1.2%	1.4%	neg	4.7%
FCF yield (%)	neg	neg	neg	neg	1.9%
PER (x)	(591.2)	970.2x	259.4x	369.6x	26.4x
P/CF (x)	399.7x	123.1x	58.5x	91.0x	15.8x
EV/EBITDA (x)	338x	93.0x	57.9x	92.4x	15.0x

Income statement	CY20A	CY21A	CY22E	CY23E	CY23E
Revenue (US\$m)	14	34	39	38	110
COGS (US\$m)	(8)	(16)	(22)	(24)	(52)
<b>Gross profit (US\$m)</b>	<b>6</b>	<b>19</b>	<b>17</b>	<b>13</b>	<b>58</b>

Expenses (US\$m)	(2)	(2)	(3)	(3)	(8)
Impairment & other (US\$m)	-	-	-	-	-
Net finance costs (US\$m)	1.3	(0.3)	1.6	(0.2)	(4.2)
Tax (US\$m)	(0.9)	(3.8)	(1.2)	(0.0)	(0.2)
Minority interest (US\$m)	(0.5)	(1.6)	(2.5)	-	-
<b>Net income attr. (US\$m)</b>	<b>3.9</b>	<b>11.0</b>	<b>12.2</b>	<b>10.6</b>	<b>45.2</b>
EBITDA	(1.8)	1.3	2.7	2.0	29.2

Cash flow	CY20A	CY21A	CY22E	CY23E	CY23E
Profit/(loss) after tax (US\$m)	(2)	1	3	2	29
Add non-cash items (US\$m)	4	9	9	6	19
Less wkg cap / other (US\$m)	(1)	8	4	(2)	(7)
<b>Cash flow ops (US\$m)</b>	<b>1</b>	<b>18</b>	<b>16</b>	<b>6</b>	<b>42</b>
PP&E (US\$m)	(2)	(9)	(48)	(88)	(33)
Other (US\$m)	0	(4)	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>(6)</b>	<b>(24)</b>	<b>(48)</b>	<b>(93)</b>	<b>(33)</b>

Debt draw (repayment) (US\$m)	(0.1)	(0.2)	0.2	50.0	50.0
Equity issuance (US\$m)	20.0	58.1	-	13.4	-
Other (US\$m)	(1.6)	-	-	-	-
<b>Cash flow fin. (US\$m)</b>	<b>18.3</b>	<b>57.9</b>	<b>0.2</b>	<b>63.4</b>	<b>50.0</b>
Net change post forex (US\$m)	13	52	(33)	(24)	59

Balance sheet	CY20A	CY21A	CY22E	CY22E	CY22E
Cash (US\$m)	33	84	38	19	78
Accounts receivable (US\$m)	4	7	8	8	15
Inventories (US\$m)	2	4	6	10	15
PPE & exploration (US\$m)	30	64	101	183	197
Other (US\$m)	2	2	3	3	3
<b>Total assets (US\$m)</b>	<b>72</b>	<b>161</b>	<b>156</b>	<b>224</b>	<b>308</b>
Debt (US\$m)	0	0	0	50	100
Other liabilities (US\$m)	10	21	21	23	28
Shareholders equity (US\$m)	112	185	171	185	185
Retained earnings (US\$m)	(51)	(52)	(44)	(42)	(13)
Minority int. & other (US\$m)	1	7	8	8	8
<b>Liabilities+equity (US\$m)</b>	<b>72</b>	<b>161</b>	<b>156</b>	<b>224</b>	<b>308</b>

## DISCLOSURES & DISCLAIMERS

This research report (as defined under IIROC Rule 3600, Part B) 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 “SII”. 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](mailto: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 <sup>1</sup>	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	NO
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	YES
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 January 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

<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