

<b>Ticker:</b> AYA CN	<b>Net cash:</b> US\$124m	<b>Project:</b> Zgounder
<b>Market cap:</b> C\$843m	<b>Price:</b> C\$7.26sh	<b>Country:</b> Morocco
REC. (unc): BUY	TARGET (unc): C\$14.50/sh	RISK RATING (unc): HIGH

The reason we like Aya is we think it has the management and early mover opportunity to be a multi asset producer, and today's PPA with Nareva, is indicative of this. Specifically, Aya was able to source low-cost project finance from the EBRD and ESG-linked Clean Technology Fund, and has delivered on its climate governance requirements by sourcing up to 100% renewable power for the Zgounder expansion. This should also broaden Aya's range of potential investors going forward, another win. The ability to create opportunity out of niche project areas such as power procurement is a sign of experienced management and quality governance, something that differentiates Aya from most silver and / or single-asset peers. **We maintain our Buy rating and C\$14.50/sh PT based on 1.5x NAV5%-24/oz PT.** Big picture, while today doesn't move the NAV, it speaks to a team capable of building a company. This year is catalyst-rich, including MRE updates at Zgounder (we think potential to reach 150Moz Ag) and Boumadine (targeting line of site on Aya's 2<sup>nd</sup> mine), plus the Zgounder expansion which should increase production to 7-9Moz Ag at sub US\$10/oz AISC from 2H24. Given the quality of execution and recent share price pullback, Aya remains a top pick for us among silver producers.

## Silver and green: Aya signs PPA to source up to 100% renewable power for Zgounder

Aya announced it has entered a 20-year power purchase agreement (PPA) with EEM, a subsidiary of Nareva, a 100% Moroccan-owned energy company. The PPA is a pay-as-you-go agreement for 80GWh /year generated from EEM's renewable energy projects (primarily wind) and transmitted through the national grid. Up to 100% of the mine's electricity could be covered by the PPA and Aya estimates it should reduce carbon intensity by up to 56ktpa of CO<sub>2</sub> eq emissions or 85%, and lower Scope 2 emissions to as low as zero.

### 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 2023
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

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<b>Ticker:</b> AYA CN	<b>Price / mkt cap:</b> C\$7.26/sh, C\$843m	<b>Market P/NAV:</b> 0.76x	<b>Assets:</b> Zgounder
<b>Author:</b> J Chan / E Magdzinski	<b>Rec / PT:</b> BUY / C\$14.50	<b>1xNAV<sub>1022</sub> FD:</b> C\$9.52/sh	<b>Country:</b> Morocco

Group-level SOTP valuation					Share data																																																					
	3Q22	4Q22E																																																								
	US\$m	O/ship	NAVx	C\$/sh	Basic shares (m):	FD + options (m):	126.5	FD + FF	127.2																																																	
Zgounder NPV 4Q22E	692	100%	1.0x	7.30	<b>Commodity price</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY23E</b>																																																
Central SG&A & fin costs 4Q22E	(42)	-	1.0x	(0.44)	Silver price (US\$/oz)	21.0	22.5	20.2	22.0	23.2																																																
Ounces ex mine plan (\$50/oz AuEq)	-	100%	1.0x	-	<b>Ratio analysis</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY23E</b>																																																
Other (50/oz AuEq)+lmiter B. (US\$25m)	109	-	1.0x	1.15	FD shares out (m)	83.7	102.7	126.5	126.5	126.5																																																
Cash and restr. cash 3Q22	124	-	1.0x	1.30	EPS (US\$/sh)	(0.021)	0.012	0.010	0.017	0.363																																																
Debt 3Q22	(0)	-	1.0x	(0.00)	CFPS before w/c (US\$/sh)	0.03	0.10	0.08	0.07	0.52																																																
ITM options	20	-	1.0x	0.21	FCFPS pre gth spend (US\$/sh)	(0.00)	0.15	0.08	(0.01)	0.43																																																
<b>1xNAV5% US\$24/oz</b>	<b>902</b>			<b>9.52</b>	FCF/sh (US\$/sh)	(0.03)	(0.13)	(0.30)	(0.67)	0.26																																																
<b>Target multiples</b>	<b>Multiple</b>			<b>C\$/sh</b>	EV (US\$m)	785	877	508	551	540																																																
<b>Target P/NAV Multiple</b>	<b>1.5x</b>			<b>14.50</b>	FCF yield ex gth spend (%)	neg	1.5%	1.4%	neg	8.0%																																																
<b>Target price</b>				<b>14.50</b>	FCF yield (%)	neg	neg	neg	neg	4.7%																																																
<b>1xNAV sensitivity to gold price and discount / NAV multiple</b>																																																										
<b>1xNAV Zgounder (US\$m)</b>	\$16.0oz	\$20.0oz	\$24.0oz	\$28.0oz	\$32.0oz	PER (x)	(458.9)	753.1x	421.9x	277.3x	13.0x																																															
7% discount	201	387	573	758	944	P/CF (x)	310.3x	95.5x	51.3x	70.0x	9.1x																																															
5% discount	256	474	692	911	1,129	EV/EBITDA (x)	260x	70.7x	50.5x	82.8x	8.0x																																															
3% discount	325	585	844	1,104	1,363	<b>Income statement</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY23E</b>																																															
<b>Valuation (C\$/sh)</b>	\$16.0oz	\$20.0oz	\$24.0oz	\$28.0oz	\$32.0oz	Revenue (US\$m)	14	34	38	36	125																																															
1.0xNAV	4.50	7.00	9.50	12.00	14.50	COGS (US\$m)	(8)	(16)	(22)	(24)	(53)																																															
1.5xNAV	7.00	10.50	14.50	18.00	21.50	<b>Gross profit (US\$m)</b>	<b>6</b>	<b>19</b>	<b>16</b>	<b>12</b>	<b>72</b>																																															
2.0xNAV	9.50	14.00	19.00	24.00	29.00	Expenses (US\$m)	(2)	(2)	(3)	(3)	(8)																																															
<b>Valuation over time</b>	<b>1Q20A</b>	<b>1Q21A</b>	<b>1Q22E</b>	<b>1Q23E</b>	<b>1Q24E</b>	Impairment & other (US\$m)	-	-	-	-	-																																															
Mines NPV (US\$m)	620	651	692	767	885	Net finance costs (US\$m)	1.3	(0.3)	1.6	1.7	(1.5)																																															
Cntrl G&A & fin costs (US\$m)	(44)	(42)	(42)	(42)	(39)	Tax (US\$m)	(0.9)	(3.8)	(1.2)	(0.0)	(0.3)																																															
Net cash at 1Q (US\$m)	30	81	34	31	56	Minority interest (US\$m)	(0.5)	(1.6)	(2.5)	-	-																																															
Other Assets + Options	129	129	129	129	129	<b>Net income attr. (US\$m)</b>	<b>3.9</b>	<b>11.0</b>	<b>10.8</b>	<b>10.7</b>	<b>61.9</b>																																															
1xNAV (US\$m)	734	819	812	884	1,031	<b>EBITDA</b>	<b>(1.8)</b>	<b>1.3</b>	<b>1.3</b>	<b>2.1</b>	<b>45.9</b>																																															
P/NAV (x):	0.94x	0.84x	0.85x	0.78x	0.67x	<b>Cash flow</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY23E</b>																																															
1xNAV share px FD (C\$/sh)	7.75	8.64	8.58	9.33	10.89	Profit/(loss) after tax (US\$m)	(2)	1	1	2	46																																															
ROI to equity holder (% pa)	7%	19%	9%	9%	11%	Add non-cash items (US\$m)	4	9	9	6	19																																															
1.2xNAV share px FD (C\$/sh)	9.30	10.37	10.29	11.19	13.06	Less wkg cap / other (US\$m)	(1)	8	4	(2)	(7)																																															
ROI to equity holder (% pa)	28%	43%	19%	16%	16%	<b>Cash flow ops (US\$m)</b>	<b>1</b>	<b>18</b>	<b>14</b>	<b>6</b>	<b>59</b>																																															
<b>Resource / Reserve</b>	<b>Mt</b>	<b>Moz Ag</b>	<b>Moz Au</b>	<b>EV/oz Ag:V/oz AgE</b>		PP&E (US\$m)	(2)	(9)	(48)	(88)	(33)																																															
M&I + Inf - Zgounder	10.13	102.5		3.9	5.3	Other (US\$m)	0	(4)	-	-	-																																															
SCPe inventory - Zgounder	15.55	130.0		4.2	4.2	<b>Cash flow inv. (US\$m)</b>	<b>(6)</b>	<b>(24)</b>	<b>(48)</b>	<b>(93)</b>	<b>(33)</b>																																															
Other assets - M&I&I	22.69	18.6	1,295			Debt draw (repayment) (US\$m)	(0.1)	(0.2)	0.2	50.0	50.0																																															
Total M&I&I	32.82	121.0	1,295	4.5	2.2	Equity issuance (US\$m)	20.0	58.1	-	13.4	-																																															
<b>Production (100%)</b>	<b>CY19A</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY23E</b>	Other (US\$m)	(1.6)	-	-	-	-																																															
Zgounder (000oz Ag)	452	690	1,601	1,881	1,722	<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>																																															
Zgounder cash cost (US\$/oz)	6.68	12.07	9.77	11.33	13.04	Net change post forex (US\$m)	13	52	(34)	(24)	76																																															
Zgounder AISC (US\$/oz)	18.83	14.19	12.28	12.58	19.39	<b>Balance sheet</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY22E</b>	<b>CY22E</b>																																															
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Group cash cost (US\$/oz)	7.84	12.09	9.77	11.38	14.05	Accounts receivable (US\$m)	4	7	8	8	15																																															
Group AISC (US\$/oz)	21.46	22.52	17.58	16.24	22.30	Inventories (US\$m)	2	4	6	10	15																																															
<i>C1 = opex (excl. G&amp;A) + royalties; AISC = C1 + sust capex + capitalized stripping/development</i>																																																										
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Source: SCP estimates

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**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

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**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

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BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

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