

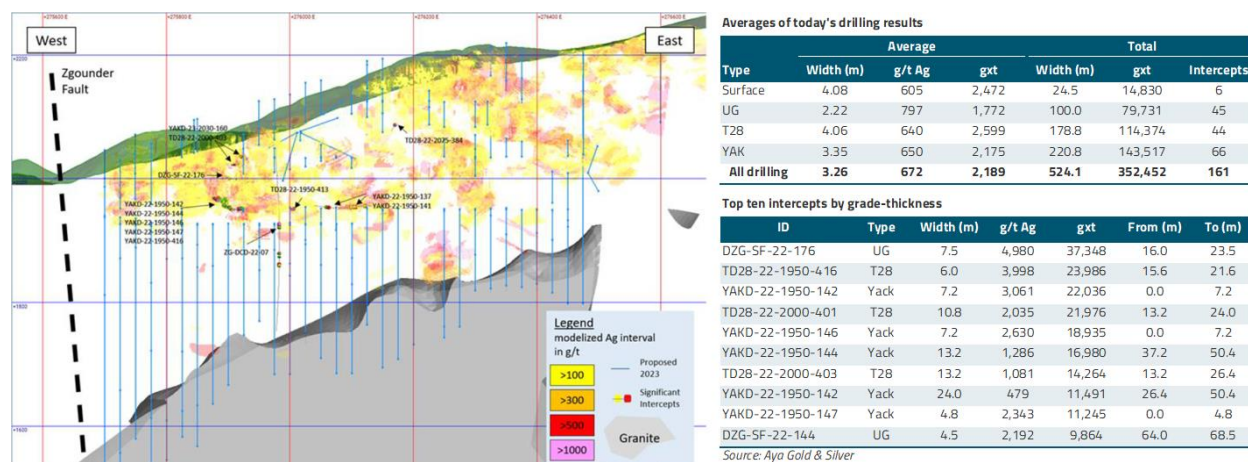
**Ticker:** AYA CN  
**Market cap:** C\$867m  
**REC. (unc):** BUY

**Net cash:** US\$124m  
**Price:** C\$7.47/sh  
**TARGET (unc):** C\$14.50/sh

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

Aya has delivered another batch of world class drilling at Zgounder, including 9 hits in excess of 10,000 gram-metres. Reading into the results, the first priority of the 2022 program was to establish continuity and definition to support mine planning, and we see ample evidence of success there including consistent average grade thickness between surface DDH, UG DDH, T28 and YAK drilling (average intercept by method ranges from 1,772-2,599 gram metres, a tight range), excellent overall 3.3m @ 672g/t which is both mineable and well above the 257g/t reserve grade, and continuity in the high grade Central Zone including **10.8m @ 3,502g/t** and **13.2m @ 1,081g/t** on the 2,000m level, following on 6-14m @ 2,538-8,840g/t reported in December. As today's results are more confirmatory, we maintain our estimates and **Buy rating / C\$14.50/sh PT based on 1.5x NAV<sub>5%-24/oz</sub> PT on a 130Moz mine inventory**. This year's drilling should be more growth/expansion focused, with 2 surface and 1 UG rig designated to drill at depth along the entire strike length. We see potential to increase the MRE to 130-150Moz this year, with higher probability additions to the east at depth, based on success to date, and higher ounce addition potential to the west, where there has been less drilling thus far. Stepping back, with transformational production growth coming in 2024, Zgounder MRE growth this year, and 36,000m planned at Boumadine, Aya combines a tier one management team with a growth profile, which qualifies as a must-own in our view.

**Figure 1. Zgounder long section showing DDH drilling results and proposed 2023 drilling**



Source: Aya Gold & Silver

## Zgounder drilling world class incl 9 >10,000gxm hits, resource expansion drilling focus for 2023

Aya announced results from 92 drill holes at Zgounder, including 3 surface DDH, 20 UG DDH, 38 T28 and 31 YAK holes. In total 161 intercepts were reported averaging 3.26m @ 672g/t, well above the 257g/t reserve grade. Results are a mix of i) infill drilling high grade areas in current resource envelope to grade control the near-medium term mine plan, such as **10.8m @ 3,502g/t** and **13.2m @ 1,081g/t** on the 2,000m level (TD28-22-2000-401 and -403) confirming the high grade zone; and ii) adding to the mineralized footprint at depth including **9.5m @ 846g/t** (ZG-DCD-22-07). This year's program will include deeper drilling with two rigs at surface and one UG rig active.

## 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 & Boumadine 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\$7.47/sh, C\$867m	<b>Market P/NAV:</b> 0.78x	<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\$9.53/sh	<b>Country:</b> Morocco

Group-level SOTP valuation	3Q22	4Q22E			
	US\$m	O/ship	NAVx	C\$/sh	
Zgounder NPV 4Q22E	694	100%	1.0x	7.32	
Central SG&A & fin costs 4Q22E	(42)	-	1.0x	(0.44)	
Ounces ex mine plan (\$50/oz AuEq)	-	100%	1.0x	-	
Other (50/oz AuEq)+Imiter B. (US\$25m)	109	-	1.0x	1.15	
Cash and restr. cash 3Q22	124	-	1.0x	1.30	
Debt 3Q22	(0)	-	1.0x	(0.00)	
ITM options	19	-	1.0x	0.20	

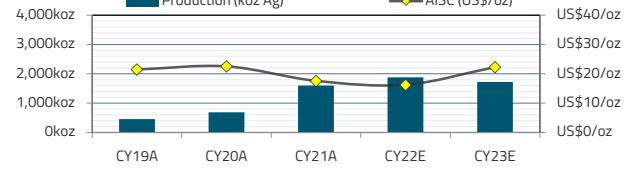
<b>1xNAV5% US\$24/oz</b>	<b>904</b>		<b>9.53</b>
<b>Target multiples</b>	<b>Multiple</b>		<b>C\$/sh</b>
<b>Target P/NAV Multiple</b>	<b>1.5x</b>		<b>14.50</b>
<b>Target price</b>			<b>14.50</b>

1xNAV sensitivity to gold price and discount / NAV multiple					
1xNAV Zgounder (US\$m)	\$16.0oz	\$20.0oz	\$24.0oz	\$28.0oz	\$32.0oz
7% discount	199	385	570	756	942
5% discount	254	472	<b>690</b>	908	1,126
3% discount	323	582	842	1,101	1,361
<b>Valuation (C\$/sh)</b>	<b>\$16.0oz</b>	<b>\$20.0oz</b>	<b>\$24.0oz</b>	<b>\$28.0oz</b>	<b>\$32.0oz</b>
1.0xNAV	4.50	7.00	9.50	12.00	14.50
1.5xNAV	7.00	10.50	<b>14.00</b>	18.00	21.50
2.0xNAV	9.50	14.00	19.00	24.00	28.50

Valuation over time	1Q20A	1Q21A	1Q22E	1Q23E	1Q24E
Mines NPV (US\$m)	622	653	694	769	889
Cntrl G&A & fin costs (US\$m)	(45)	(42)	(42)	(42)	(39)
Net cash at 1Q (US\$m)	30	81	34	29	54
Other Assets + Options	129	129	129	129	129
1xNAV (US\$m)	736	821	815	885	1,033
P/NAV (x):	0.96x	0.86x	0.87x	0.80x	0.69x
1xNAV share px FD (C\$/sh)	7.76	8.65	8.59	9.33	10.89
ROI to equity holder (% pa)	4%	16%	7%	8%	10%
1.2xNAV share px FD (C\$/sh)	9.31	10.38	10.30	11.19	13.06
ROI to equity holder (% pa)	25%	39%	17%	14%	15%

Resource / Reserve	Mt	Moz Ag	Moz Au	EV/oz Ag:V/oz AgE	EV/oz Au:V/oz AuE
M&I + Inf - Zgounder	10.13	102.5		4.0	5.4
SCPe inventory - Zgounder	15.55	130.0		4.3	4.3
Other assets - M&I&I	22.69	18.6	1,295		
Total M&I&I	32.82	121.0	1,295	4.6	2.3
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	12.58	19.34
Group (000oz Ag)	452	690	1,601	1,881	1,722
Group cash cost (US\$/oz)	7.84	12.09	9.77	11.38	14.00
Group AISC (US\$/oz)	21.46	22.52	17.58	16.24	22.25

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



Source: SCP estimates

Share data		Commodity price					
Basic shares (m): 116.1	FD + options (m): 126.5	CY20A	CY21A	CY22E	CY23E	CY23E	
FD + FF	127.2	21.0	22.5	20.2	21.4	23.0	
Ratio analysis		Income statement					
FD shares out (m)	83.7	CY20A	CY21A	CY22E	CY23E	CY23E	
EPS (US\$/sh)	(0.021)	14	34	38	35	124	
CFPS before w/c (US\$/sh)	0.03	COGS (US\$m)	(8)	(16)	(22)	(24)	(53)
CFPS pre gth spend (US\$/sh)	(0.00)	<b>Gross profit (US\$m)</b>	<b>6</b>	<b>19</b>	<b>16</b>	<b>11</b>	<b>71</b>
FCF/sh (US\$/sh)	(0.03)	Expenses (US\$m)	(2)	(2)	(3)	(3)	(8)
EV (US\$m)	818	Impairment & other (US\$m)	-	-	-	-	-
FCF yield ex gth spend (%)	neg	Net finance costs (US\$m)	1.3	(0.3)	1.6	1.7	(1.6)
FCF yield (%)	neg	Tax (US\$m)	(0.9)	(3.8)	(1.2)	(0.0)	(0.3)
PER (x)	(477.4)	Minority interest (US\$m)	(0.5)	(1.6)	(2.5)	-	-
P/CF (x)	322.8x	<b>Net income attr. (US\$m)</b>	<b>3.9</b>	<b>11.0</b>	<b>10.8</b>	<b>9.7</b>	<b>61.0</b>
EV/EBITDA (x)	271x	EBITDA	(1.8)	1.3	1.3	1.1	44.9
Cash flow		Balance sheet					
Revenue (US\$m)	14	CY20A	CY21A	CY22E	CY23E	CY23E	
COGS (US\$m)	(8)	Cash (US\$m)	33	84	36	82	157
<b>Gross profit (US\$m)</b>	<b>6</b>	Accounts receivable (US\$m)	4	7	8	8	15
Expenses (US\$m)	(2)	Inventories (US\$m)	2	4	6	10	15
Impairment & other (US\$m)	-	PPE & exploration (US\$m)	30	64	101	183	197
Net finance costs (US\$m)	1.3	Other (US\$m)	2	2	3	3	3
Tax (US\$m)	(0.9)	<b>Cash flow inv. (US\$m)</b>	<b>(6)</b>	<b>(24)</b>	<b>(48)</b>	<b>(93)</b>	<b>(33)</b>
Minority interest (US\$m)	(0.5)	Debt draw (repayment) (US\$m)	(0.1)	(0.2)	0.2	50.0	50.0
<b>Net income attr. (US\$m)</b>	<b>3.9</b>	Equity issuance (US\$m)	20.0	58.1	-	13.2	-
EBITDA	(1.8)	Other (US\$m)	(1.6)	-	-	-	-
<b>Cash flow</b>	<b>18.3</b>	<b>Cash flow fin. (US\$m)</b>	<b>18.3</b>	<b>57.9</b>	<b>0.2</b>	<b>63.2</b>	<b>50.0</b>
Profit/(loss) after tax (US\$m)	(2)	Net change post forex (US\$m)	13	52	(34)	(25)	75
Add non-cash items (US\$m)	4	<b>Balance sheet</b>	<b>CY20A</b>	<b>CY21A</b>	<b>CY22E</b>	<b>CY23E</b>	<b>CY23E</b>
Less wkg cap / other (US\$m)	(1)	Cash (US\$m)	33	84	36	82	157
<b>Cash flow ops (US\$m)</b>	<b>1</b>	Accounts receivable (US\$m)	4	7	8	8	15
PP&E (US\$m)	(2)	Inventories (US\$m)	2	4	6	10	15
Other (US\$m)	0	PPE & exploration (US\$m)	30	64	101	183	197
<b>Cash flow inv. (US\$m)</b>	<b>(6)</b>	Other (US\$m)	2	2	3	3	3
Debt draw (repayment) (US\$m)	(0.1)	<b>Total assets (US\$m)</b>	<b>72</b>	<b>161</b>	<b>155</b>	<b>287</b>	<b>387</b>
Equity issuance (US\$m)	20.0	Debt (US\$m)	0	0	0	50	100
Other (US\$m)	(1.6)	Other liabilities (US\$m)	10	21	21	23	28
<b>Cash flow fin. (US\$m)</b>	<b>18.3</b>	Shareholders equity (US\$m)	112	185	171	250	250
Net change post forex (US\$m)	13	Retained earnings (US\$m)	(51)	(52)	(45)	(44)	1
<b>Balance sheet</b>	<b>CY20A</b>	Minority int. & other (US\$m)	1	7	8	8	8
Cash (US\$m)	33	<b>Liabilities+equity (US\$m)</b>	<b>72</b>	<b>161</b>	<b>155</b>	<b>287</b>	<b>387</b>
Accounts receivable (US\$m)	4						
Inventories (US\$m)	2						
PPE & exploration (US\$m)	30						
Other (US\$m)	2						

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Summary of Recommendations as of February 2023	
BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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