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COMPANY: Aya Gold & Silver Inc. | TSX: AYA

INDUSTRY: Silver

PRICE (AS OF CLOSE 9/24/2025)

CAD 15.30

MARKET CAP

CAD 2.2 BN

We are short Aya Gold & Silver (TSX: AYA) ("Aya" or the "Company") because we believe there is overwhelming evidence that Aya inflated its silver resource at Zgounder, its only producing asset, by over 100%, potentially reflecting as many as 50+ million phantom ounces. In our opinion, this explains why grades are plummeting, production has been dire, and cash flows are anemic despite soaring silver prices.

In 2019, Aya was an unprofitable, small-scale producer with a silver resource of only 38Moz at its only producing mine, Zgounder (in Morocco). Yet in 2020, a new CEO announced an ambitious expansion plan based on a proposed exploratory drilling program which Aya somehow predicted

would grow the mine's silver resource to 100Moz. Miraculously, a highly suspicious December 2021 resource estimate claimed that the Company had somehow hit its target almost on the nose. Aya's stock duly soared. Yet the newly discovered silver has not shown up, and despite management's excuses, mining results have been dire. We think we know why: in our opinion, most of the newly "discovered" silver is likely not there.

Buried deep in the technical data from the resource estimate upon which Aya's valuation is founded, we believe we have found multiple smoking guns which indicate, in our opinion, that Aya did not "discover" these ounces by extending the resource as it claims. Instead, we believe that Aya likely created virtually all of these ounces by manipulating a computer model. We think Aya got away with it by quietly pushing aside the independent geologists who created Aya's previous resource estimate just nine months earlier and giving the job to a conflicted geologist who is a close and long-time business partner to Aya's CEO.

Once investors understand that Zgounder has a terminal illness, the symptoms begin to make sense. Grades have collapsed, production ounces are a fraction of mine plan, and cash costs are more than double. Aya forecasted \$120 million of cash flow when silver was at \$22. Silver has surged to \$44, yet Aya somehow reported -\$8.6 million in FY2024, and this year is tracking to fall 75% short of the cash flow projections made when silver was pricing far lower. Aya, try as it might, cannot come close to reconciling its actual production with its mine plan. The reason, in our view, is because less than half the silver in the mine plan is likely in the ground.

Ultimately, we think Aya looks a lot like the penny stock it was before it miraculously discovered the suspicious new silver that never seems to materialize.

- 1. Zgounder Productivity Collapses as Highly Suspicious "Estimated" Ounces Fail to Materialize. In 2019, Aya was an unprofitable, small-scale producer with a modest 38Moz silver resource. It was effectively a penny stock. But that all changed upon the arrival of a new CEO who just four months into the job, launched a feasibility study for a huge mine and mill expansion that promised a 4x-5x bump in annual production. Aya's 38Moz resource would not support such a massive mine and mill expansion, but management was confident because it "planned" to grow the silver resource to 100Moz by December 2021. Essentially, Aya was embarking on an expansion first, and hoping to later conjure up the resource it needed to justify it. For geological reasons, hitting 100Moz appeared impossible. Yet, in December 2021, seemingly against all odds, Aya claimed to have discovered 58Moz of new silver, bringing the resource's total silver to 102Moz and hitting its previously stated 100Moz target almost right on the nose. Less than 18 months after the new CEO's arrival, Aya's share price had soared as high as 819% on the promise of this new purported "discovery." Yet if the newly discovered silver is real, investors are left wondering, where is it?
 - a. Grades and Production are in Free Fall as Zgounder has Completely Diverged from the Mine Plan. Problems began to appear almost immediately, leading to a cavernous discrepancy between the silver Aya claims to have discovered and the silver it has actually pulled out of the ground. Grades have consecutively fallen in most of the past ten quarters and currently sit at 140g/t, reflecting a 62% drop from the quarterly high mark in Q4 FY2022 and approximately 50% below the FY2024

and FY2025 mine plans. For two years, quarter-after-quarter, management blames anemic grades on one or another ever-evolving "one-off" operational issue. However, we think that the results clearly show that Zgounder's problems are not "one-off"—they are endemic to the resource. Just look at the chart.



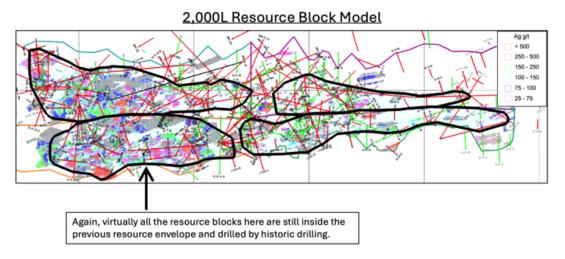
Source: Aya Public Filings

Zgounder is now in a complete free fall. But it's not just grades. Production ounces are already several millions behind the mine plan and cash costs are up and, despite soaring silver prices, Aya produced negative cash flow in FY2024 and this year it is tracking to fall 75% short of its promised \$120 million cash flow. Aya promised hundreds of millions in cash flows when silver was \$22, yet silver prices have doubled, and Aya's mine has produced so little silver that cash flows were **negative last year** and the Company was forced, incredibly, to raise capital by diluting investors.

Investors are left wondering, if Aya's 100Moz resource is real, where's the silver? We attribute Aya's dismal performance to our belief, based on the evidence presented in this report, that the Zgounder silver resource may be overstated by over 100%, potentially reflecting as many as 50+ million phantom ounces.

- 2. Smoking Guns in Technical Reports Betray Aya's Claim That it Discovered New Ounces By Extending the Resource. In order to understand why the purported silver is not showing up in the actual results, we dove into the technical report for Aya's December 2021 resource estimate that showed 102Moz and sent the stock soaring. We found smoking gun evidence which, in our opinion, indicates that Aya likely did not discover the new silver by extending the resource as it claims, but rather by manipulating the computer model.
 - a. Cut-Off Tables Betray the Truth: Vanishing Tonnage and Disappearing Low-Grade Ounces Contradict Expansion Story. Aya claims to have discovered 58Moz of new silver at Zgounder by drilling extensions at depth and along strike. If Aya really grew the resource by 130% by extending it, the resource's total tonnage should have roughly doubled as well. But when we compare cut-off grade sensitivity tables for both its March 2021 resource and its December 2021 resource, tonnage not only doesn't double —tonnage actually decreases at the lowest cut-off grade. At the 50 g/t cut-off, total tonnage shrinks 12% even as silver ounces supposedly double. And grades surged 81% compared to the previous March estimate. In our opinion, higher grades with shrinking tonnage are not evidence of an expanding resource they are a red flag that someone erased low-grade tonnage when tinkering with a computer model. In fact, the cut-off grade tables reveal another anomaly that supports our investment opinion: low-grade silver ounces simply vanish from the December 2021 model. In the March 2021 resource, there are 16.9Moz of low-grade silver between 50g/t and 100g/t. But in the December 2021 resource, there are only 9.5Moz of low-grade silver. 7.4Moz low-grade ounces simply vanished. New discoveries should be additive they do not erase old ounces. To us, this points to someone manipulating a computer model and deleting low-grade ounces, which of course, would explain exactly why Zgounder grades have been in free fall for the past ten quarters. The silver, in our opinion, is simply not there in the grade or in the quantity which Aya says it is.

b. It's Visible on the Maps: New High-Grade Ounces Unlikely To Have Come From Extending The Resource. To further test Aya's claim that new drilling at extensions more than doubled its silver resource, we compared resource maps and block model maps appended to its March 2021 and December 2021 technical reports. In our opinion, it is plainly visible that virtually all of the December block model lies *inside* the March resource's envelope. Furthermore, the maps appear to show that the vast majority of mineralized blocks, especially the highest-grade blocks, lie within the March resource's envelope. We compared maps in this manner at four different levels in 100-meter increments and there was no question whatsoever—at each level *virtually all* the resource blocks sit inside the previous resource envelope and appear to mostly rely on historic drilling. The image below is an example. This is the 2,000L and it is apparent that virtually all the resource blocks sit inside the previous resource envelope and were drilled by historic drilling.



What does this mean, in English? Aya claims to have discovered 58Moz of new silver by extending the resource at depth and along strike. But the block model maps show that this explanation appears to be false, as the resource blocks are still inside the previous resource envelope. Put plainly, it appears that Aya misled investors about where it found the new silver, and likely for good reason: it is highly unlikely that it could more than double the size of a silver resource just by drilling in the same place as it had already densely drilled in the previous resource estimate. Ultimately, we think this explains why grades are in free fall, production is plummeting far behind the mine plan, and cash flows are either negative or 75% below guidance: because, we believe, the newly discovered silver ounces upon which Aya's valuation supposedly rests are not likely there.

Sharp investors might ask, but wasn't the suspicious December 2021 resource estimate prepared by an independent geologist? The answer is, surprisingly, no.

3. Aya Quietly Brought in a Close Business Partner of the CEO To Create the Dubious Resource. At first glance, it appears that the same third-party geological consulting firm authored the technical reports for both the March 2021 and December 2021 resource updates. This is not the full story. Buried deep within the December 2021 technical report, we found a critical disclosure that we suspect escaped most investors: the independent geologists who created the March resource estimate did not create the suspicious December resource estimate. Instead, the independent geologists were only reviewers, not creators, of the December resource estimate. So, who created the December resource estimate that has been so critical to Aya's fortunes?

The suspicious December 2021 resource estimate was prepared by a geologist named *Marc-Antoine Audet*, a long-time, close business partner of Aya's CEO, Benoit La Salle. Audet's and La Salle's business relationship goes back well over a decade. The two have founded a company together, served as officers and directors together at the same time, and even today share the same office space in Quebec. Audet and La Salle are connected to at least three public companies: Falcon Energy Materials (f/k/a SRG Mining), Sama Resources, and SRQ Resources. In fact, it appears that La Salle and Audet are *presently* officers and/or directors of Falcon Energy Materials and Sama Resources.



Source: News Article, October 2017

We think this conflict of interest further undermines the credibility of the critical resource estimate upon which Aya's current valuation is based and only adds credence to our suspicion that the promised silver is simply not there.

- 4. Management's Excuses for Dire Results are Nonsensical. The Silver Does Not Appear to be in the Ground. Management insists "there's no grade issue at Zgounder. So let's be very clear about this. There's no grade issue." Yet grades have been plummeting for two straight years. And during each and every quarterly earnings call since Q3FY2023, management has assured investors that the quarter's low grades are due to some one-off operational issue and that grades are about to rebound. These excuses, in our view, are flimsy justifications to distract investors from the blinding reality that results have cavernously deviated from the mine plan. Most recently, management blames low grades on dilution. In our opinion, neither dilution nor any other of management's evolving operational excuses are the problem. In our view, most of the newly discovered silver is simply not in the ground—underground or in the open pit.
 - a. Aya's Pivot To The Open Pit Indicates That The Silver is Not in the Underground Mine. The feasibility study envisaged that the underground mine would provide 70% of mill feed. By late 2024, however, the underground mine had proven to be so unproductive that Aya decided to reverse the mill feed ratio and take 70% of ore from the open pit instead of the underground. We think this is an extraordinary tell that the underground mine is running out of ore. Aya invested a large amount of capital into an expansion to accommodate increased output from the underground mine and now, just barely into the mine plan, it's already ditching the underground and pivoting to the open pit. Operational dilution problems are not the culprit. Over the last several quarters, Aya has gone back to mining the underground at roughly the same rate as before the expansion, but now the underground is outputting around half as much silver as pre-expansion. This indicates that dilution is not the issue. Aya didn't forget how to mine the underground—we think it is clearly running out of ore.
 - b. Lack of Silver, Not Dilution, Explains the Open Pit's Low Grades. According to the mine plan, open pit grades were supposed to rip to 350g/t in FY2024 and to 303g/t in FY2025. Yet grades have never come close. Nonetheless, against all evidence, management touted grades at the open pit as "excellent" which it attributed to the fact that dilution control at the open pit was "easy." In the most recent quarter, however, grades at the open pit fell even lower than the dismal grades of the underground mine and management had to change its tune. Now, according to management, the problem at the open pit is suddenly dilution, which management referred to as the "#1 enemy." This obvious contradiction underscores our belief that the real problem is not operational —the grades are low because the metal isn't there.
 - c. It's Not Just Grade—Actual Mining Results Show Less Silver in the Open Pit. Beyond grades, when we compared the feasibility study to Aya's actual production from the open pit, we found that the open pit production is reconciling at less than 50% of the production forecast in the feasibility study. This reconciliation gap tracks almost perfectly with our belief that Aya's resource is likely overstated by ~100%+. In short, the results seem to confirm what the grades already suggest: the open pit doesn't reconcile because the mine plan is based on a significant number of phantom ounces.

Ultimately, we attribute Aya's dismal performance to our belief, based on the evidence presented in this report, that the **Zgounder silver resource may be overstated by over 100%**, potentially reflecting as many as 50+ million phantom ounces. We base our opinion first on our dissection of the highly suspicious December 2021 resource estimate, which we think shows that Aya really did not (as it claimed) discover new silver by extending the resource. Rather, this analysis suggests, in our opinion, that Aya found the newly discovered silver by manipulating a computer model.

That the suspicious estimate upon which Aya's valuation is based was prepared not by an independent geologist (like the previous March estimate) but by a close business partner of the CEO only adds credence to our suspicion that the questionable resource revision was likely bogus. But ultimately, the proof as they say, is in the pudding. If the newly discovered silver is real, where is it?

Grades are in free fall; cash flows are either negative or tracking 75% behind guidance (despite soaring silver prices); and production has fallen further and further behind the mine plan. In sum, we think investors should think of Aya a lot more like the penny stock it was before the Company miraculously discovered the suspicious new silver that never seems to appear.

I. Zgounder Productivity Collapses as Highly Suspicious "Estimated" Ounces Fail to Materialize.

Aya's change in fortunes from penny stock to high-flying valuation rest on a highly dubious resource estimate prepared by a conflicted geologist released shortly after the new CEO took over the Company in early 2020. This highly suspicious resource estimate would spark a miraculous turnaround of the Company's fortunes (on paper at least).

Two years later investors are left wondering, if the newly "discovered" silver is real, where is it? Grades have been in complete free fall for two years, rippling across almost every other production and financial metric: production ounces are already several millions behind the mine plan and cash costs are up. Despite roaring silver prices, Aya produced negative cash flow in FY2024 and this year it is already tracking to fall 75% short of the \$120 million cash flow it forecasted in August 2023. We attribute Aya's dismal performance to our belief that the Zgounder silver resource may be overstated by over 100%, potentially reflecting as many as 50+ million phantom ounces. In our opinion, the more than half the silver that management promises is just around the corner, is likely not in the ground. But before we examine the evidence that suggests the silver resource at Zgounder is massively inflated, it is important to refresh investors on the highly dubious estimate which kickstarted the story.

A. Highly Suspicious Resource Estimate Sparks Miraculous Turnaround (on paper).

In 2019, Aya was an unprofitable, small-scale producer with a silver resource of only 38Moz. In Spring 2020, Aya hired a new CEO with big ambitions. Less than four months into the job, Aya's new CEO announced that Aya had launched a feasibility study for a huge mine and mill expansion that would deliver a 4x-5x bump in annual production.

In what seems to us to be a classic case of the tail wagging the dog, management claimed confidence in the mine expansion based on Aya's "<u>planned</u> drilling exploration program" and a <u>targeted 100Moz ounces</u> to support the feasibility study. That is to say, Aya embarked upon the expansion before it could have known it had the silver to justify the expansion.

AYA Launches Feasibility Study for the Expansion of its Zgounder Silver Mine in Morocco

Montreal, Quebec, August 6, 2020 - AYA Gold & Silver Inc. (TSX: AYA) ("AYA" or the "Corporation") announces it has launched the feasibility study for the expansion of its Zgounder Silver Mine in Morocco in partnership with Montreal-based DRA Met-Chem, a division of DRA Global Ltd ("DRA").

"The strong silver fundamentals as well as our planned drilling exploration program gives us confidence in growing the resource and the expansion potential of the Zgounder Silver Mine. The feasibility study is an important step forward to maximize shareholder value," said Benoit La Salle, President and CEO of AYA. "We are assembling a highly qualified team of experts to complete the study by Q4 2021."

Source: News release, August 6, 2020

Similarly, a few months later in November 2020, Aya published its <u>Q3 FY2020 MD&A</u> in which it again discussed the feasibility study and stated the company's aim to more than quadruple its annual silver production. Management stated that its production target was "consistent with internal resource growth assumptions."

In our view, the result seemed preordained. Aya promised the feasibility study by Q4 FY2021 and promised to publish an updated mineral resource that would support the expansion. How could Aya already plan for a feasibility study based on "internal resource growth assumptions" and "plans" to have wild success in exploratory drilling that would more than double its existing resource? Essentially, Aya appeared to be embarking on an expansion first, and hoping to later conjure up the resource it needed to justify it.

In March 2021, the company <u>published</u> an interim resource update that appeared to kill the dream. Aya put approximately 35,000 meters of new drilling into the March resource, but **Aya was only able to add an incremental 6Moz**, taking its total silver resource from 38Moz to 44Moz.

March 2021 - Zgounder OP + UG Resource							
	Tonnes (Mt)	Grade	Ag (Moz)				
Measured	3.6	302	34.9				
Indicated	1.0	262	8.7				
M&I	4.6	293	43.6				
Inferred	0.1	209	0.4				
Total Resource	4.7	292	44.0				
M&I as % of total	99%		99%				

Source: Technical Report, March 2021

The March 2021 resource estimate left Aya 56Moz total ounces shy of the 100Moz target that the company set to support the feasibility study—and only nine months to find all those new ounces. **The compressed time period, however, was the least of Aya's obstacles**.

Aya's biggest obstacle was that 99% of the March resource was already classified as Measured and Indicated (M&I). Ounces can only be classified as M&I if the drill holes are tightly spaced so the geologist can have a high degree of confidence in the geological continuity. In other words, for the March resource to be 99% classified as M&I, Aya would have had to have already drilled the existing resource envelope into Swiss cheese. The significance: for Aya to hit the 100Moz target it needed to support the feasibility study, it would need to discover silver—and a lot of it—in <u>new</u> high-grade zones that <u>extended</u> <u>mineralization outside of the existing mineralized envelope.</u>

Yet curiously, against all evidence, Aya's CEO stated that the March resource "positions us well for reaching our objective of 100 million oz of silver by year-end 2021."

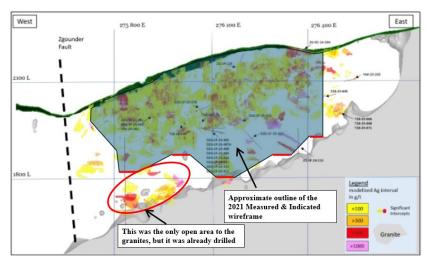
"Our 2020 exploration program was extremely successful in converting our Inferred Mineral Resources into M&I Mineral Resources," said Benoit La Salle, President & CEO of Aya Gold & Silver. "In addition to enhancing our understanding of the Zgounder Property, this first Mineral Resource update in several years demonstrates the premium quality of the

Zgounder Property and positions us well for reaching our objective of 100 million oz of silver by year-end 2021. "

Source: News release, March 16, 2021

To our eyes, however, Aya's positive spin on the March 2021 resource seemed somewhat delusional. Zgounder is a known deposit where there has been mining since the <u>10th century</u>. Various companies conducted modern drill campaigns on Zgounder in the 1980's and sporadically throughout the 2010's. Yet, the basis of Aya's whole plan was to go out and (in nine months) discover an additional 56Moz of silver outside of the existing mineralized envelope, so as to more than double the size of its existing 44Moz silver resource.

What's more suspicious, by March 2021 the resource had been well drilled and all signs suggested that Aya was running out of places to find more ore outside the existing resource—let alone 2x the additional silver Aya needed to hit its 100Moz target. Specifically, the March 2021 M&I wireframe already extended down to the granites below, which cut off the deposit. There was a small space still open beneath it; however, when we looked further into it, we realized it had already been drilled by a substantial number of drill holes.



Source: July 2, 2024 News release (overlay)

For Aya to discover another 56Moz to reach its 100Moz target, a much larger Zgounder would have to be hiding in the cracks beneath the existing resource wireframe twisted and contorted between the existing drilling that already pierced the area. This would seem to be almost impossible. It's the same story to the east.

Against all odds, however, nine months later in December 2021, just in time for the feasibility study, Aya announced that it had supposedly accomplished its goal. It claimed to have grown the Zgounder resource to 102Moz, hitting the 100Moz target it had set 16 months earlier almost right on the nose. Aya needed to find 56Moz to hit it its preannounced target. It purportedly found 58Moz.

December 2021 - Zgounder OP + UG Resource						
	Tonnes (Mt)	Grade	Ag (Moz)			
Measured	3.5	347	39.2			
Indicated	6.0	291	56.1			
M&I	9.5	312	95.2			
Inferred	0.5	367	6.4			
Total Resource	10.0	315	101.6			

Source: Technical Report, December 2021

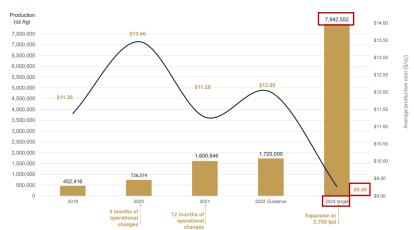
With the supposed 102Moz resource in its pocket, Aya completed the mine expansion feasibility study. The study converted Aya's 102Moz resource into 71Moz of proven and probable reserves and generated a mine plan that contemplated a 11-year life of mine. At a base case of \$22 silver at the time, the mine expansion was supposed to generate an after-tax IRR of 48% and \$522 million of undiscounted cash flow.

	\$16 oz Ag	\$19 oz Ag	BASE CASE \$22 oz Ag	SPOT (\$23.5 oz Ag)	\$28 oz Ag	\$36 oz Ag
AFTER-TAX 5% NPV (\$M)	\$132M	\$253M	\$373M	\$433M	\$612M	\$927M
AFTER-TAX IRR (%)	21%	34%	48%	54%	75%	117%
UNDISCOUNTED LOM FREE CASH FLOW (\$M)	\$213M	\$368M	\$522M	\$599M	\$828M	\$1,232M
PAYBACK PERIOD (YEARS)	3.7	2.5	1.7	1.5	1.0	0.6

Source: BMO Investor Presentation, February 26, 2022

Management claimed that beginning in FY2024, Aya would be producing **7.9Moz** annual ounces at an average grade over the life of mine of 257g/t. It touted that it would produce these ounces at an "industry-low cash cost" of \$9.58.

Management forecasted that Aya would generate annual cash flow of over \$75 million but later in 2023 it bumped that number up to \$120 million.



ZGOUNDER - QUADRUPLING PRODUCTION AT INDUSTRY-LOW CASH COST

Source: BMO Investor Presentation, February 26, 2022

From 2021-2023, Aya kept investors drooling about the potential at Zgounder. In early/mid 2023, management, went on a road show touting Aya's mine and mill expansion and stated that at a \$25 silver price Aya would be producing \$120 million of annual cash flow, bumping up the \$75 million cash flow it had forecasted shortly after the feasibility study. According to management, it was just "math" that at a \$35 silver price Aya's share price would go to \$35, and at \$50 silver price Aya's the share price would go to \$50.

"So if you think that \$25 is the target next year, less \$10 of all in cost, \$15 of EBITDA per ounce production times 8 million ounces is \$120M US and that for the foreseeable future. . . And write my words please, is we will follow the silver price, if silver goes to \$35 our stock goes to \$35, you just do the math it works. If it goes to \$50 we go to \$50. . . . " "[It's] a 10-bagger from here."

Source: Red Cloud Interview (La Salle), March 2023

Then, in August 2023, the CEO again bumped up the cash flow forecast, this time stating that the \$120 million cash flow would come at a \$22 silver price.

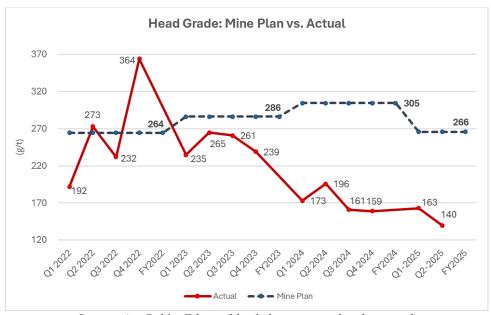


Source: YouTube Presentation, August 10, 2023

This August 2023 presentation appears to have been Zgounder's high mark. By far. After that, the stark reality facing investors is that the promised silver has failed to materialize.

B. Zgounder Has Completely Diverged from the Mine Plan and is in Free Fall.

Despite managements' statements on earnings calls, the reality has been a disaster. Zgounder is now in a complete free fall. Grades have consecutively fallen in most of the past ten quarters and currently sit at 140g/t, reflecting a 62% drop from the quarterly high mark in Q4 FY2022 and approximately 50% below the FY2024 and FY2025 mine plans.



Source: Aya Public Filings (blended open pit and underground)

For two years, *quarter-after-quarter*, management blames anemic grades on one or another ever-evolving "one-off" operational issue. However, we think that the results (summarized in the chart above) clearly show that Zgounder's problems are not "one-off"—they are endemic to the resource.

But it's not just grades. In FY2024, Aya produced 1.6 million ounces, not the eight million ounces, as it previously promised. And so far in 2025, Aya is on pace to produce just over 4Moz. This represents just over half of the 7.5Moz the mine plan contemplated for FY2025, and it is close to a million ounces lower than the lowest end of the range of the revised production guidance that Aya just published in March of this year (5Moz-5.3Moz).

Despite silver prices reaching new highs, instead of generating \$120 million in FY2024 operating cash flow, it ended FY2024 with -\$8.6 million cash flow. FY2025 hasn't been much better. Aya is on pace to produce roughly \$30 million in FY2025 cash flow – roughly 75% less than Aya forecasted in August 2023, just before silver prices began to rip. This should have been a banner period.

Silver prices have boomed but in the last 18 months, Aya has already borrowed \$40 million and announced a \$105 million bought deal that diluted equity investors 8%. In our opinion, isolated "one-off" operational issues do not create two straight years of relentlessly free-falling grades with no appreciable rebound back to the mine plan in any single quarter. To us, the results demonstrate that there is a cavernous disconnect between what Aya claims to be in the ground at Zgounder, versus what is actually there. As investors will soon grok, without the ounces in the ground, the silver price is largely irrelevant —Aya appears to have no chance of a rebound.

We attribute Aya's dismal performance to our belief, based on the evidence presented in this report, that the Zgounder silver resource may be overstated by over 100%, potentially reflecting as many as 50+ million phantom ounces. In our opinion, the silver that management promises is simply not in the ground. As we detail in the next section, we have uncovered smoking gun evidence (see Section II) indicating, in our opinion, that Aya did not discover the vast majority of the ounces in its 102Moz silver resource by drilling extensions of Zgounder's mineralized envelope at depth or along strike, as it claims.

II. Smoking Guns in Technical Reports Betray Aya's Claim That it Discovered New Ounces By Extending Resource.

We believe that there is **smoking gun evidence** that, contrary to Aya's claims, the Company did <u>not</u> double its silver ounces by extending the Zgounder resource using the drill bit. This December 2021 resource estimate represented a 130% increase versus a resource update that came only nine months earlier in March 2021. Our report focuses on this dubious increase. Ultimately, we believe virtually all of the 58Moz Aya added to the December 2021 resource estimate are likely fictional.

Instead, we suspect that, unbeknownst to investors, Aya created the vast majority of the new ounces by artificially adjusting a computer model.

First, the cut-off grade sensitivity tables connected to the two resources' technical reports show that, at the lowest equivalent cut-off grade, 50g/t, the December resource's total tonnage *decreases* instead of increasing. This does not happen when a company adds ounces by drilling an extension of a mineral resource.

Second, we think it is plainly visible from Aya's block model maps that the vast majority of Zgounder's mineralization sits inside the same mineralized envelope as it existed in March 2021. Aya's incremental drilling between March 2021 and December 2021 appears to have added virtually no new silver and certainly not 2x the silver that existed in March.

The conclusion, we believe, from this evidence, is that Aya did not discover new silver by supposedly extending the resource, but likely by fiddling with the assumptions in the model until the Company arrived at the number they wanted.

A. Cut-Off Tables Betray the Truth: Lower Tonnage with Higher Grades Contradict Expansion Story.

For Aya to legitimately add 58Moz of silver and increase the resource by over 100%, it had to extend its existing 44Moz resource at depth or along strike. We doubt that even Aya would disagree with that premise. For one thing, the independent geologists that created the March 2021 resource estimate established an "Exploration Target" for Aya that specifically defined the Exploration Target to exist "at depth and along lateral extensions." Further, the independent geologists were clear that the Exploration Target "excluded the Updated Mineral Resource [of March 2021]." In other words, the post-March 2021 Exploration Target was outside the area of the Zgounder resource as it existed in March 2021.

In addition to the Updated Mineral Resources, an Exploration Target has been established for Zgounder at depth and along lateral extensions with a predicted grade range from 190 g/t Ag to 295 g/t Ag in 3 Mt to 6 Mt containing 20 Moz to 60 Moz Ag. This Exploration Target was derived from a larger mineralized envelope, which included all mineralized intersects and excluded the Updated Mineral Resources. The potential quantity and grade of this Exploration Target is conceptual in nature, and insufficient exploration has been done to define a Mineral Resource. It is uncertain if further exploration will result in the Exploration Target being delineated as a Mineral Resource.

Source: <u>Technical Report, March 2021</u>

Indeed, soon after Aya published the March resource, the Company began issuing news releases stating that its new drill results increased the number of intersections within the <u>exploration target</u> outside the formal resource envelope "at depth and laterally toward the east." The Company noted that its efforts "continue[d] to <u>extend</u> the high-grade strike to the east and confirm the continuity and high-grade mineralization at depth." Aya published nearly a dozen similar drill result news releases throughout 2021.

"These initial 2021 drill results increase the number of intersections within the 20-60 million oz exploration target area established outside the formal resource envelope at depth, and laterally toward the east. Our exploration efforts continue to extend the high-grade strike to the east and confirm continuity and high-grade mineralization at depth," said Benoit La Salle, President & CEO.

Source: News release, April 13, 2021

Aya published cut-off grade sensitivity tables for both its March 2021 resource and its December 2021 resource. Such cut-off grade sensitivity tables show how much tonnage and grade exist inside of a resource's block model above different minimum grade thresholds. We unpacked Aya's tables and found something striking. If Aya really doubled the size of the March resource by extending it, the resource's total tonnage should have roughly doubled as well. But at a key equivalent cut-off grade, 50g/t, it decreased.

• If Aya Really Drilled an Expansion, Tonnage Should Increase, not Decrease.

When a company adds new tonnage by expanding a resource, the old tonnage doesn't just go away. The new tonnage gets added to the existing tonnage and overall tonnage increases. Yet, Aya's cut-off data shows the exact opposite: the December resource supposedly grows 2x, but somehow at a key equivalent cut-off grade, the size of the December resource shrunk!

Investors can see this in the tables below. The cut-off tables that Aya published for the March 2021 resource and the December 2021 resource overlap at three cut-off grades (50g/t, 75g/t, and 100g/t). The data for each of those respective cut-off grades is shown side by side below. The anomaly exists at the 50g/t cut-off grade where investors can see that at a 50g/t cut-off grade, the December 2021 resource shrinks 12% from 12.8Mt to 11.3Mt.¹

		March 2021		December 2021			
Cut-Off (Ag g/t)	Tonnes (Mt)	Grade (g/t)	Moz	Tonnes (Mt)	Grade (g/t)	Moz	
100	5.3	248	42.5	7.2	365	84.4	
75	8.0	194	49.8	9.0	309	89.3	
50	(12.8)	144	59.4	(11.3)	261	93.9	
	\sim			\sim			
		12% Dec	crease				
		in Tonna	ge				

Source: Technical Report, March 2021 and News release, December 14, 2021²

This begs the question, how could Aya shrink the resource yet double the amount of silver contained in the March estimate? We believe that the answer is found in the same cut-off grade tables as already embedded above. Investors can see that at each of the three cut-off grades, the grade of the December resource skyrockets higher compared to March's grade. Again, looking at the 50g/t cut-off, tonnage decreases <u>but grade jumps a whopping 81%</u>.

		March 2021		December 2021					
Cut-Off (Ag g/t)	Tonnes (Mt)	Grade (g/t)	Moz	Tonnes (Mt)	Grade (g/t)	Moz			
100	5.3	248	42.5	7.2	365	84.4			
75	8.0	194	49.8	9.0	309	89.3			
50	12.8	(144)	59.4	11.3	(261)	93.9			
			0407						
	81% Increase								
			in Gr	ade					

Source: Technical Report, March 2021 and News release, December 14, 2021

¹ The lowest overlapping cut-off grade available, 50g/t, incorporates the most data and is the best view into how the total size of the resource model changed.

² For ease of reference, the data extracted here pertains solely to the resources' underground portion, which makes up the overwhelming majority of the total silver resource.

If Aya expanded resource, tonnage at every cut-off should have skyrocketed. But it didn't. In our opinion, this is not what a new discovery looks like. In our opinion, this looks like tinkering with a computer model to back solve for a desired target.

The Cut-Off Grade Tables Show That Low Grade Ounces Vanish From the December Resource.

The same cut-off grade sensitivity tables reveal **yet another smoking gun anomaly: low-grade silver ounces simply vanish from the December model**. In the March resource, there are 16.9Moz of low-grade silver between 50g/t and 100g/t. But in the December resource, there are only 9.5Moz of low-grade silver. 7.4Moz low-grade ounces have vanished.

	N	Iarch 2021		Dec	ember 2021	
Cut-Off	14.	tarch 2021		Dec	CHIDEI 2021	
(Ag g/t)	Tonnes (Mt)	Grade (g/t)	Moz	Tonnes (Mt)	Grade (g/t)	Moz
100	5.3	248	42.5	7.2	365	(84.4)
75	8.0	194	40.8	9.0	309	89.3
50	12.8	144	(59.4	11.3	261	(93.9)
			$\overline{}$			\mathcal{A}
			59.4 – 4	2.5	93.9 -	- 84.4
			=		=	=
			16.9 M	(oz	9.5 I	Moz
	in the March r			esource	in the De	cember
	between 50 ar			nd 100g/t	resource b	
					and 1	00g/t

Source: Technical Report, March 2021 and News release, December 14, 2021

Low-grade ounces don't disappear when a company expands a resource. New discovery is additive to old discovery. To us, this points to someone adjusting a computer model to delete low-grade ounces. Again, this explains why in December tonnage goes down while grades and silver ounces skyrocket up.

• The December Model Was So Heavily Changed That Experts Struggled To Even Compare The Models.

We put the task of comparing the two resource models to independent geologists. Their take: the December resource estimate could not even be compared to the March resource estimate because, in one of the expert's opinion, the December version was not an "update or refinement" of the March version, but rather a "full rebuild" of the March model.

"[The December 2021 MRE] is not an update or refinement — it's a full rebuild, with new block sizes, search ellipses, capping, and domain structures. . . . the second report doesn't explain how or why it diverged so significantly from the first."

—Industry Expert

Similarly, we spoke to another industry expert who echoed the sentiment that the two models were too different to even compare. But he may have stated it best:

The difference in block size, search ellipse sizes, and the unification of search ellipse orientations creates a disconnect from the two MRE reports. The first one is an apple. The second report is a tomato. Both can be red, both are technically a fruit, but they are not very comparable. In mining it is frequently said that the only correct model is a mined model."

—Industry Expert

As we show in Section IV below, Aya is extracting silver from the underground mine at roughly half the rate it did before the underground mine expansion and, similarly, the Company is extracting silver from the open pit at roughly

half the rate projected in the mine plan, which aligns almost perfectly with our investment opinion that Aya adjusted the resource model to exaggerate the resource by over 100%.

B. It's Visible On The Maps: New High Grades Ounces Unlikely Came From Extending The Resource.

To further test Aya's claim that new drilling at extensions doubled its silver resource, we compared maps from its March 2021 and December 2021 block models appended to their respective technical reports. In our opinion, it is plainly visible that virtually all of the December block model lies *inside* the March resource's envelope. Furthermore, the maps similarly appear to show that the vast majority of mineralized blocks, especially the highest-grade blocks, lie within the March resource's envelope.

This directly contradicts the <u>Company's previous claim</u> that "the Exploration Target was derived from a larger mineralized envelope including all mineral intersects while excluding the Mineral Resources reported [in the March resource estimate]."

Unfortunately, the resources' technical reports do not include specific maps that by themselves overlay the two resources in a manner that makes this type of comparison easily accessible for investors. With the help of a mining consultant familiar with the software, we manually overlaid maps and block models appended to the March and December technical reports, allowing us to analyze the overlays that the technical reports do not directly provide.

The analysis began by color-coding every drill hole: green for new incremental holes included only in Aya's December resource, and red for holes that were already incorporated in the March resource. Next, the analysis overlaid the March 2021 resource's mineralized envelope, shown as a thick black outline, onto the December 2021 block model. This approach allowed us to identify any mineralized blocks reported in December that lay beyond the limits of the earlier envelope.³

To illustrate, the figure embedded below shows the upper portion of Aya's resource (plan view at the **2,200m** elevation level). Our analysis focused on two key questions:

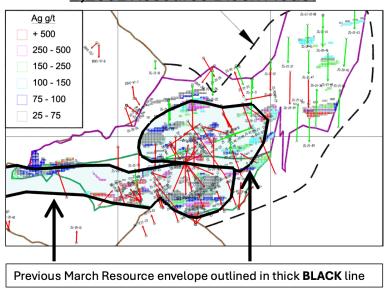
- 1. If Aya truly increased its resource from 44Moz to 102Moz by drilling extensions outside the March resource envelope, then we should see that most of the mineralized blocks now sit outside of that March envelope.
- 2. Is there evidence that Aya discovered transformative amounts of high-grade silver inside the December envelope that replaced lower-grade silver inside the March model?

The image below at 2,200L is the most favorable slice of the orebody relative to Aya's claim that it extended the resource. But investors can see that virtually the entire resource still lies within the March envelope, and most of the high-grade blocks remain supported by old drilling.

14

³ The overlays presented here were created through a rigorous manual process. Although small visual discrepancies may exist due to the nature of the manual overlay and alignment process, we do not believe they materially impact the analysis or our observations.

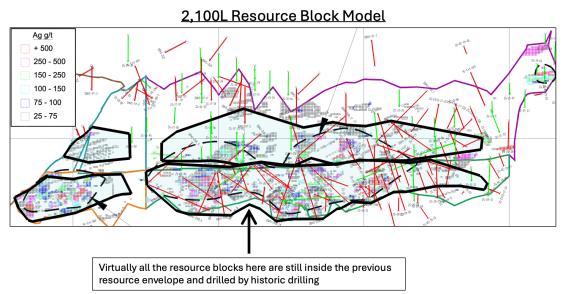
2,200L Resource Block Model



Source: Technical Reports, March 2021 and December 2021 (overlays)

As we step down through the resource in 100-meter increments and move into the core of the deposit, the picture gets even worse. There is virtually no new mineralization, especially high-grade mineralization, as the ore body goes deeper.

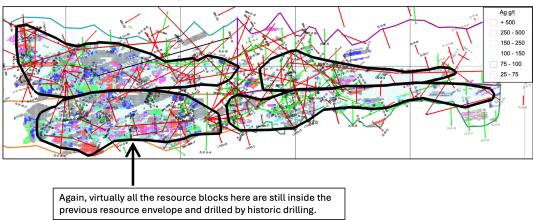
The image below shows the **2,100**L level. Virtually all the resource blocks are still inside the previous resource envelope and drilled by historic drilling.



Source: Technical Reports, March 2021 and December 2021 (overlays)

The image below shows the 2,000L level. Again, virtually all the resource blocks here are still inside the previous resource envelope and drilled by historic drilling.

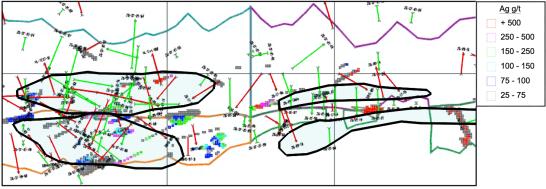
2,000L Resource Block Model



Source: Technical Reports, March 2021 and December 2021 (overlays)

The image below shows the 1,900L level. This is the final level shown in Aya's maps as the mineralization is thinning out.

1,900L Resource Block Model



Source: Technical Reports, March 2021 and December 2021 (overlays)

Taken together, these visuals paint a clear and consistent picture across the entire vertical extent of the deposit: **Aya's supposed expansion appears to be an illusion.** If the December 2021 resource were truly based on major drilling success, the visuals would show it.

What does this mean, in English? Aya claims to have discovered 58Moz of new silver by drilling at depth and extending the resource. But the block model maps show that this explanation appears to be false, as the resource blocks are still inside the previous resource envelope. Put plainly, it appears that Aya misled investors about where it found the new silver, and likely for good reason: it is highly unlikely that it could more than double the size of a silver resource just by drilling in the same place as it had already densely drilled in the previous resource estimate.

Ultimately, we think this explains why grades are in free fall, production is plummeting far behind the mine plan, and cash flows are either negative or 75% below guidance: because, we believe, most of the newly discovered silver ounces upon which Aya's valuation supposedly rests are not likely there.

III. Aya Quietly Brought In A Close Business Partner Of The CEO To Create The Dubious Resource

The December 2021 resource update is the cornerstone of Aya's transformation from penny stock status to its current valuation. It miraculously generated just enough ounces for Aya to hit the 100Moz target it needed to support the mine and mill expansion feasibility study. But, as detailed in Section II, we believe this upgrade was not the result of a successful drill campaign—it was, in our opinion, likely a model manipulation masquerading as discovery. And at the center of that suspected deception lies a critical personnel change: Aya quietly replaced its independent geologists with the CEO's long-time business partner to facilitate the miraculous upgrade.

The more reliable March 2021 resource had been prepared and certified by independent geologists from a third-party firm. That model showed 44Moz, nearly all of it M&I, with little room for expansion. This was clearly far behind the Company's target, so Aya quietly switched geologists.

Just nine months later, the December update—supposedly based on expansion drilling success—claimed 102Moz. But as we've shown, evidence suggests that there was little meaningful extension of the mineralized zone and little evidence of supporting drill locations. What changed was not the geology—it appears to have been the geologists who controlled the model.

Buried in the fine print of the 550+ page December technical report is the revelation that Aya's "independent" consultants did not, in fact, conduct the new estimate—they only reviewed it. The person who actually "developed" and "completed" the model was Marc-Antoine Audet, a geologist who shares a long history of founding and managing companies with Aya's CEO. Together, they currently run multiple public companies from the same Quebec address. At the time of the December upgrade, Audet and La Salle were serving together in executive roles at two of the companies and they still today serve at those same companies together.



Source: News Article, October 2017

In our view, this conflict of interest is highly suspicious and further undermines the credibility of the revised resource estimate upon which Aya's soaring valuation is based.

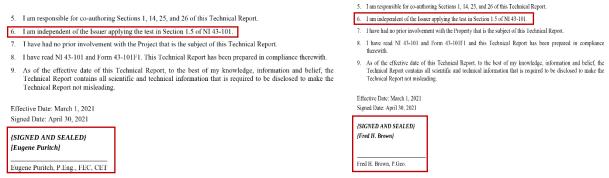
A. <u>Critical Resource Estimate Not Prepared by Independent Geologists but by CEO's Close Business Partner.</u>

Aya's March 2021 resource was created by two independent geologists from a third-party mine consultancy firm, P&E Mining Consultants. The Technical Report states that the "Mineral Resource estimation work reported herein was carried out or reviewed" by geologists Fred Brown and Eugene Puritch. Each of the two are identified as "independent Qualified Persons."

All Mineral Resource estimation work reported herein was carried out or reviewed by Fred Brown, P.Geo. and Eugene Puritch, P.Eng., FEC, CET., each independent Qualified Persons as defined by National Instrument 43-101 by reason of education, affiliation with a professional association, and past relevant work experience.

Source: Technical Report, March 2021

And each of the two signed and certified as to their independence from Aya.



Source: <u>Technical Report, March 2021</u>

Unlike the December updated resource discussed below, investors did not need to extensively study the 550+ page Technical Report to learn that the resource estimate was created by independent geologists. Rather, ahead of the Technical Report, Aya expressly disclosed to investors in an MD&A that **independent** geologists produced the March resource update.

Aya hired P&E Mining Consultants to produce an independent mineral resource estimate. In addition to the mineral resources in **Table 1**, an Exploration Target has been established for Zgounder at depth and along lateral extensions with a grade range between 190 and 295 g/t Ag within 3 to 6 million tonnes containing 20 to 60 million Ag oz (the "Exploration Target"). The Exploration Target was derived from a larger mineralized envelope including all mineral

Source: MD&A, FY2020 (filed March 26, 2021)

Conversely, ahead of the *December* resource update a few months later, Aya made a similar disclosure that it had retained P&E Mining Consultants to update the resource estimate. This time, only the most astute investor would have noticed a minor change in the language: the word "**independent**" is gone.

program is on track to be completed on time and budget. An updated MRE will be published with the feasibility study.

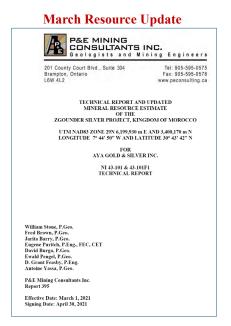
P&E Mining Consultants has been retained to update the MRE and a site visit is planned in Q3.

Source: MD&A, Q2 FY2021 (filed August 13, 2021)

We doubt that the subtle tweak in language was unintentional. That is because, despite investors' expectations, the creator of the December resource upgrade was not independent at all. To the contrary, the creator was an individual named Marc-Antoine Audet, a geologist who was, and still is today, a long-time business partner of Aya's CEO, Benoit La Salle. Not including Aya (or any Aya affiliate), Audet and La Salle founded and/or controlled at least two other companies together, one of which goes back over a decade.

B. Aya Replaces Independent Geologists With CEO's Long-Time Close Business Partner.

As it disclosed to investors, Aya engaged P&E Mining Consultants again to update the resource estimate. On the faces of the March and December Technical Reports, investors wouldn't see much of a difference. And Audet is not identified on the face of either report.





Source: March and December 2021 Technical Reports

However, buried inside the December version of the document there is a big difference. Brown and Puritch of P&E Mining Consultants are still named as the P&E geologists responsible for the mineral resource estimate section of the report, but on careful reading, investors can see that this time around the P&E geologists have a different role: they have been relegated to only "reviewers" of the resource estimate. Whereas the March 2021 resource update states that the two P&E geologists "carried out or reviewed" the March resource estimate, the December resource update conversely states that the two P&E geologists only "reviewed" the resource estimate "as developed by Marc-Antoine Audet."

The authors of this Technical Report have reviewed the December 2021 Mineral Resource Estimate for the Zgounder operation as developed by Marc-Antoine Audet, Ph.D., P.Geo. for Aya Gold & Silver. The authors of this Technical Report are also satisfied that the database and grade estimation methodology as described meet the minimum requirements necessary for the reporting of Mineral Resources.

Source: Technical Report, December 2021

At another place in the report, it similarly states that Audet "completed" the resource estimate which was "reviewed" by the P&E geologists.

The 2021 Mineral Resource Estimate was completed by Marc-Antoine Audet, Ph.D. P.Geo., Geological Consultant and Aya Gold & Silver's "Qualified Person" and was reviewed by the author of this Technical Report section.

Source: Technical Report, December 2021

We doubt that investors caught the subtle distinction, but we think it is important. Audet—the individual who was apparently responsible for creating the highly dubious December 2021 resource update is a close business partner of Aya's CEO, Benoit La Salle. The two have founded a company together, served together as directors and officers of

several companies, and even today share the same office space in Quebec. The relationship goes back almost thirteen years. By our count, Audet and La Salle are closely connected to at least three public companies traded on the TSX.

Falcon Energy Materials (TSXV: FLCN)

La Salle and Audet appear to be co-founders of Falcon Energy Materials (f/k/a SRG Mining /f/k/a SRG Graphite). La Salle's LinkedIn biography identifies him as "Founder, Executive Chairman" of SRG Mining, the predecessor company to Falcon Energy Materials. Marc-Antonie Audet does not list SRG Mining, Inc. on his LinkedIn profile, but his biography on the website of one of his current companies, SRQ Resources, states that Audet was also a founder of SRG Mining.

Benoit La Salle FCPA, MBA ♥

Chief Executive Officer at Aya Gold & Silver

Boisbriand, Quebec, Canada · Contact info



Montreal Canada, Lola Guinée

Source: LinkedIn

Marc-Antoine Audet Marc-Antoine is an experienced mining executive and senior geologist with 37 years of international mineral exploration experience in project management, discovery, evaluation, resource estimation, mine development, design and implementation of exploration programs. Marc-Antoine acquired his expertise in base metals, international nickel sulphide and laterite exploration and development through seniorlevel positions at major mining companies such as Xstrata Nickel and Falconbridge. The founder of three exploration companies including TSXV-listed Sama Resources, SRG Mining and SRQ, he has extensive geological expertise in West Africa, Latin America and in New Caledonia Dr. Audet earned his Ph. D in geology / earth science from University of Québec in Montréal (UQAM) and University of New Caledonia (U.NC).

Source: SRQ Resources website

In addition to founding Falcon Energy Materials, it appears that La Salle and Audet currently serve together on the Executive Team. La Salle is a Director and Chairman of the Board and Audet is the Chief Geologist.



Source: Falcon Energy Materials, Investor Presentation, Q2 FY2025

Sama Resources (TSXV: SME)

According to their LinkedIn profiles, La Salle currently serves as Executive Chairman of Sama Resources Inc. and Audet serves as CEO and President. It appears that the two have been serving together at Sama for over a decade. Further, from the screenshot above connected to Falcon Energy Materials, it also appears that Audet is the founder Sama Resources.

Benoit La Salle FCPA, MBA ♥

Chief Executive Officer at Aya Gold & Silver Boisbriand, Quebec, Canada · Contact info

(AI EXCEL)

Executive ChairmanSama Resources Inc

Nov 2012 - Present · 12 yrs 11 mos Greater Montreal Metropolitan Area

Source: LinkedIn

Marc-Antoine Audet - 3rd

CEO & President, Sama Resources Inc CEO & President SRQ Resources Inc



CEO & President

Sama Resources

Mar 2010 - Present · 15 yrs 7 mos

Source: LinkedIn

• SRQ Resources (TSXV: SRQ)

According to his <u>LinkedIn</u> and the <u>company's website</u>, Audet is a President and CEO of **SRQ Resources**, a spinoff from **Sama Resources**. After the spinoff, it appears that Benoit La Salle continued in his role as Executive Director at Sama Resources, but at that time he became no longer *directly* connected to the spun-off company, SRQ Resources. However, it appears that a close family member of La Salle may be. SRQ's board includes Jean-Christophe Parisien-La Salle, who we believe may be a close family member of Benoit La Salle.

Aya, Falcon Energy, Sama Resources and SRO, all share the same office address in Ouebec.

Aya Gold & Silver	SF	RQ Resources	Sama Resources	Falcon Energy (F/K/A SRG Mining)
Corporate office	(2)	Head Office	Contact Info	Contact Us
		1320 Graham, suite 132		(514) 512-1320
Tel: +1 (514) 951-4411		Ville Mont-Royal, Québec H3P 3C8, Canada	Corporate Head Office Head Office	1320 Graham, suite 132
info@ayagoldsilver.com			Sama Resources inc/Ressources Sama Ir	ville Mont-Royal, QC H ₃ P ₃ C8
1320 Graham, suite 132 Ville Mont-Royal, QC H3P 3C8	©	+1 (514) 726-4158	1320 Graham, suite 132 Ville Mont-Royal, QC, H3P 3C8	info@srgmining.com

Source: Company Websites: Aya Gold & Silver, SRQ Resources, Sama Resources, Falcon Energy

<u>In our opinion</u>, the optics here are deeply concerning. The evidence suggests that Aya couldn't generate the 56Moz it needed through drilling, so it quietly replaced independent geologists with the CEO's close business associate who facilitated what independent experts characterize as a "a full rebuild" of the dubious Zgounder resource model.

Put another way. In March 2021, Aya's independent geologists couldn't find the silver to justify an expansion. Aya appears to have replaced the independent geologists with a close partner of the CEO and in nine short months, the Company "discovered" 58M oz, hitting its previously announced target almost on the nose.

Ultimately, we think this conflict of interest further undermines the credibility of the critical resource estimate upon which Aya's current valuation is based and only adds credence to our suspicion that the promised silver is simply not there.

⁴ SRQ's board of directors includes Jean-Christophe Parisien-La Salle. According to <u>records</u> of openccorporates.com, this individual was also a director of a company named *Les Eaux Saint-Leger Inc*. Louise-Marie Parisien is also a director of Les Eaux Saint-Léger and is also a <u>director</u> —with Benoit La Salle—of 3254305 Canada Inc. (later amalgamated into PGL Capital Inc.). Based on these links, including shared surnames, common addresses and directorships), we infer that Benoit La Salle and Jean-Christophe Parisien-La Salle are closely related and directly or indirectly currently connected to SRQ.

IV. Management's Excuses for Dire Results are Nonsensical. The Silver Does Not Appear to be in the Ground.

Zgounder's productivity has diverged so dramatically from the feasibility study that it seems like Aya is following the wrong mine plan altogether. Ironically, we think that is exactly what is happening. Aya's mine plan assumes a 100Moz+ resource that we believe was closer to 44Moz in reality. In short, we think investors are witnessing what happens when a company vandalizes its own treasure map.

Yet even as grades continue to plummet to all-time lows, management's playbook has been to blame one-off operational issues while denying that it even has a grade issue at all. Management could not have been more unequivocal, stating "there's no grade issue at Zgounder. So let's be very clear about this. There's no grade issue."

Benoit La Salle

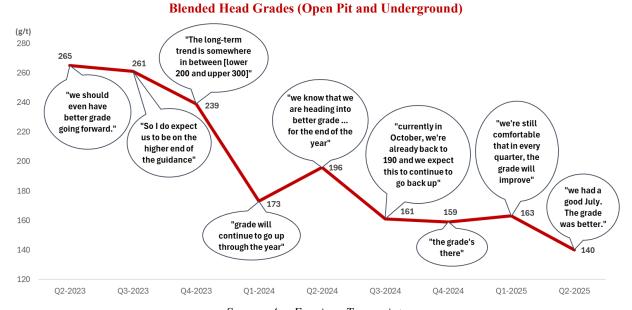
President, CEO & Director

Yes. So look, the -- you're absolutely right. I mean we -- there's no grade issue at Zgounder. So let's be very clear about this. There's no grade issue. There's a mining learning curve and the mining learning curve was slower than what we had anticipated. And at the beginning, and we were in kind of a honeymoon with the open pit, we were hitting all the structures that was pretty straightforward.

Source: <u>Q2 FY2025 Earnings Call</u>

On the same Q2 FY2025 earnings call management similarly stated "The metal is there. It's not a metal issue." Yet, management's insistence that one-off operational issues are to blame for Aya's consistently plummeting grades rather than any lack of silver strains credulity and begs a lot of questions. For example, if the silver is in the ground, why has management been promising to publish an updated resource estimate each year since 2022, yet it is now four years later and Aya has never published it?

And how can it possibly be that *in each and every quarter* since grades first began to plummet two years ago in Q3 FY2023, management has falsely assured investors that the higher grades were just around the corner?



Source: Aya Earnings Transcripts

A. Aya's Pivot To The Open Pit Indicates That The Silver is Not in the Underground Mine.

The feasibility study had the underground mine doing most of the heavy lifting at Zgounder: the underground mine was supposed to produce 70% of the ore fed to the mill, and the open pit would contribute the remaining 30%. By late 2024, however, productivity at Zgounder had fallen through the floor and it was clear that Aya had to do something. So, it came up with new plan: pivot away from the underground by reversing the mill feed ratio to feed the mill with \sim 70% open pit and \sim 30% underground. In our opinion, this change of direction is strong evidence that the underground mine does not contain the silver that Aya claims.

Ore to Mill Feed (%)	2022 Feasibility Study	Q2 2025 Production Results
Open Pit	29%	64%
Underground	71%	36%

Source: News releases, February 22, 2022 and July 24, 2025

Aya invested a large amount of capital into the mine and mill expansion to accommodate increased output from the underground mine. Remarkably, the mine didn't expand at all, it actually shrunk. Now, just barely into the mine plan, Aya decided to ditch its plan and go back to mining the underground the same way it did before the expansion. This is extraordinary. We find it highly implausible that Aya would choose this nuclear option because of dilution or any of the other one-off operational excuses that Aya has given investors over the last two years.

Before the 2022 expansion, Aya was running the underground at a modest scale, ~720 t/d. Mining at those modest levels is naturally more selective and that usually means less dilution occurs. At that time, grades were higher, and production averaged ~560koz per quarter. After the expansion, Aya opened up new access, deployed more crews and equipment, and started mining on a larger footprint. Aya blames this change to a bigger mining operation as the reason why grades at the underground mine have fallen. **But here this dilution excuse does not ring true.**

In the face of plummeting grades over the last four quarters, Aya effectively reverted back to the smaller scale that it was mining in before the expansion. If, as Aya claims, the higher mining rate was the real cause of the underground's lower grades, then productivity of the underground mine should have reverted to something close to the 2022 pre-expansion levels. **But that didn't happen**. Aya reverted to near pre-expansion levels over the last three quarters, but silver output didn't commensurately revert back to pre-expansion levels. Instead of producing the 557koz per quarter as it did in H2 FY2022 pre-expansion, Aya is producing nearly half as many ounces — ~290koz per quarter. In other words, it appears that Aya eliminated the dilution boogeyman variable, but it didn't help improve Zgounder's productivity: the underground mine appears worse off than it was before the expansion.

Yet, what was working before the expansion is not working anymore. Aya didn't forget how to mine the underground. Rather, we think it is simply running out of ore.

Underground Mining	Mining Rate	Silver Output			
Before Expansion (H2 2022)	723 t/d	557 koz			
Return to Pre-expansion (Q4 FY2024 - Q2 FY2025)	694 t/d	~290 koz			
Source: Aya Public Filings					

To be sure, when Aya expanded the mine, it opened up more underground areas, hired more miners, brought in more equipment, and did more drilling and assaying. With all that extra effort and access, one would expect output to increase. Instead, output collapsed. To us, this is even more corroboration that the silver just isn't there.

B. Lack of Silver, Not Dilution, Is The Problem With the Open Pit.

Investors appeared to be nonplussed by Aya's new plan to pivot from the underground to the open pit. But, in our opinion, that is only because Aya misled investors to believe that the open pit was exhibiting "excellent" grades, and

the recent drop in grade was due to operational dilution issues. We think this is fiction. We believe that grades at the open pit have never been close to "excellent" and dilution has nothing to do with the recent drop in grades at the open pit. Rather, we suspect that the problem at the open pit is the same problem as at the underground: most of the ounces live in an inflated computer model, not in the ground.

According to the mine plan, the open pit pre-production period was supposed to last twelve-months and then grades would rip to 350g/t in FY2024 and 303g/t in FY2025.

Table 16.16 - Combined Mine Plan

		Unit	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
	Open Pit Mine													
	Pit to Mill	kt	-	-	200.9	192.6	185.8	251.0	248.6	234.2	202.8	-	-	1,516
	Pit to Low-Grade Stockpile	kt	-	8.1	20.3	113.2	98.9	36.7	36.7	29.2	29.3	-	-	372.4
	Pit to High-Grade Stockpile	kt	-	62.6	48.2	80.8	45.7	28.9	11.3	4.1	8.4	-	-	290.2
Ore	Low-Grade Stockpile to Mill	kt	-	-	14.5	0.1	7.6	30.1	9.5	45.3	76.8	-	188.6	372.4
	High-Grade Stockpile to Mill	kt	-	-	46.6	95.3	94.7	6.9	29.9	8.4	8.4	-	-	290.2
	Total Mill Feed	kt	-	-	262.0	288.0	288.0	288.0	288.0	288.0	288.0	-	188.6	2,178.6
	Silver Grade at Mill	g/t	-	-	350.0	303.3	202.2	279.5	311.7	231.8	230.1	-	61.8	253.5
Waste		kt	-	3,171.2	4,320.0	3,940.0	3,880.7	3,295.8	2,509.6	1,393.3	937.4	-	-	23,447.9
Total N	/lined	kt	-	3,241.9	4,589.5	4,326.5	4,211.1	3,612.4	2,806.2	1,660.9	1,177.9	-	-	25,626.5
Strippi	ng Ratio	w/o	-	44.8	16.0	10.2	11.7	10.4	8.5	5.2	3.9	-	-	10.8

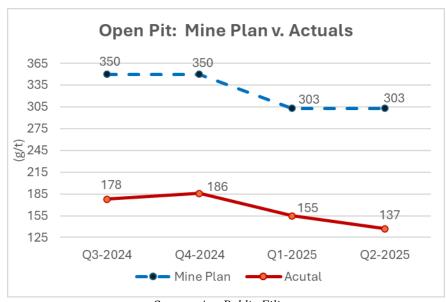
Source: Zgounder Feasibility Study, 2022

In May 2024, after eleven months of stripping, and in line with the mine plan, AYA's CEO declared, "The open pit is now ready to expose higher grade ore, which is what we were looking for. And that is – now that is done."

So in hindsight, we can see that it was the right decision. The open pit is now ready to expose higher grade ore, which is what we were looking for, and that is now that is done. The stockpile is

Source: <u>Q1 FY2024 earning call</u>

There was just one problem: no silver anywhere close to 350g/t ever appeared. In fact, Aya has *never* produced anything close to those grades. To the contrary, mined grades from the open pit averaged only 164g/t in the four quarters since Aya reached the high-grade zones. This is less than half the grade that Aya was supposed to be producing from the open pit.



Source: Aya Public Filings

Fast forward a few months towards the end of 2024 and the situation was looking very bleak for both the underground and open pit mines. Aya apparently decided that its best strategy would be to simply tell investors that the open pit was doing "better than expected" and grades were "good."

So flexibility in mining is key. And the open pit is better than expected. And now some of you who've been to site, we're saying it's an open pit. It's not an open pit. We're meaning that the mountain. The first 200 meters is above the base camp. So there's a mountain of 200 meters where the mineralization is in the mountain. So we're meaning up that mountain right now slowly. We're just at the very, very first level and the grade is good. We see extension. The contractor is doing a very good job and we will take the rate from 500 to 1,000 tonne a day. We have the stockpile and the underground is moving up and it's just getting better.

Source: Q3 FY2024 Earnings Call

Conveniently, shortly after setting expectations that "the open pit is better than expected," Aya announced its new plan to pivot to the new 30% underground / 70% open-pit mill feed ratio. From there, even though open pit grades were consistently landing at half of the feasibility study, Aya continued to double-down that the open pit was doing great. In fact, on the Q4 FY2024 earnings call, management stated that "the grade is excellent."

we do some condemnation drilling towards the East, we find new zones. So, the pit is getting much bigger than originally anticipated for some very good news, and the grade is excellent.

Source: Q4 FY2024 Earnings Call

In May and June 2025, Aya continued to tout the open pit and how the open pit is "hitting the grade we're looking for." Notably, in the course of talking up the open pit, management emphasized that managing dilution at the open pit is easy because it has three meter spacing on its drilling. Aya stated that "We're very precise. We know exactly what we're mining, where we're mining it."

Internet is good on-site, so he should not be gone, he should be there. But that being said, look, in April, the issue is not with the open pit. The open pit, we have 3 meters spacing on the drilling. We're very precise. We know exactly what we're mining, where we're mining it. The underground is where because of the spacing at 12 meters spacing, we are making sometimes the wrong decision on dilution or missing the structure. So we have it and we are addressing this. The open pit doesn't need any addressing. The open pit is we're in the top level.

effect on the recovery. But that's not permanent, that's just the top layer The open pit is hitting the grade that we're looking for. This deposit has some pockets of very high grade material. It's got Source: O1 FY2025 Earnings Call

Further underscoring the point that dilution simply wasn't an issue at the open pit, Aya's <u>CEO stated in an interview</u> "The dilution of the open pit, that's <u>easy</u> because we have three meter spacing." The timing is notable because it was seven days before the close of Q2 FY2025. When the quarter closed and grades printed the following week, the open pit grade landed even lower than the underground (137g/t OP vs. 141g/t UG). The open pit was supposed to compensate for the underground but now the open pit was printing even lower grades.

This would be a tough circle to square without Aya finally acknowledging that it may have a problem with the resource itself. But it tried. It insisted that the metal is in the ground and blamed the open pit's low grades on, of all things, dilution.

The only KPI where we've talked about in the previous quarter that we're still working on and that we need to improve is the average grade. And the issue here in the ramp-up as we move from 900 tonnes a day to 3,000 tonnes a day and 3,500 tonnes a day is not a metallurgical or a metal issue. It's not a metal issue. The metal is there. What we need to address is dilution. So it's the way we mine it, the way we mine the underground and the way we mine the open pit I mean, historically, we were doing a lot of selective mining, and we had the time because we were mining originally 200 tonnes a day, then 500 tonnes a day, 900 tonnes a day, so the dilution was not a big problem. But currently, with the speed of execution, the dilution is becoming our #1 enemy. We know this. We are all focusing on improving or reducing, should I say, the dilution. We're improving mining selectivity. We're improving operational control. We have hired more people. We've hired more senior underground managers. So the last KPI of the 5 that we need to address in the ramp-up is really the dilution of the grade from the mining.

On the open pit, we need to monitor better blast movement because we see where the grade is. We blast it, then it moves and then we dilute it again too much. Underground is definitely even more difficult. So, all of that is something we understand. It's our key priority right now is to stabilize the mining rate, reduce the dilution, control the ore and send all the ore to the plant and all the waste to the waste dump.

Source: Q2 FY2025 Earnings Call

Aya's dilution excuse obviously contradicts its repeated statements throughout 2025 that essentially touted the open pit as dilution proof. In fact, just seven days before quarter close Aya's CEO had just stated that dilution with the open pit was "easy." How did dilution in the open pit go from "easy" to Aya's "#1 enemy" in seven days?

In our opinion, Aya's dilution excuse is not credible and is directly contradicted by management's statements. Just like the underground mine, we think that the most straightforward explanation is that, despite Aya's assurances to investors, the grades aren't there because the metal isn't there.

C. It's Not Just Grade—Actual Mining Results Show Less Silver in the Open Pit.

The underground mine couldn't deliver the ounces Aya promised, forcing the Company to lean on the open pit that itself appears to be severely under-delivering. But it's not just grade. Our analysis shows that Aya is extracting far less silver from the open pit than the feasibility study envisaged.

Our analysis suggests that Aya is getting less than half the silver for their mining effort out of the open pit than it should -i.e., the open pit is likely reconciling at less than 50% on ounces. This is particularly notable because it almost perfectly tracks our core thesis that Aya's mineral resource is inflated by roughly 100%.

Specifically, after completing the pre-strip, Aya was supposed to be mining at a rate that generated .65oz for every tonne mined out of the pit, and this was supposed to persist for two full years of mining.

Feasibilty Study	Y1	Y2	Total
Open Pit Mined (Mt)	4.6	4.3	8.9
Open Pit Ag Mined (Moz)	2.9	2.8	5.8
Oz Mined/Tonnes Mined	0.64	0.65	0.65

Source: Zgounder Feasibility Study, 2022 and Aya Public Filings

Instead, after mining 6.4Mt out of the open pit in the quarters since Aya completed the pre-strip and exposed the high-grade zones, Aya has mined 2.1Moz of silver out of the open pit. This is a rate of .32ounces per tonne mined.

Actuals	3Q24 - 2Q25
Open Pit Mined (Mt)	6.4
Open Pit Ag Mined (Moz)	2.1
Oz Mined/Tonnes Mined	0.32

Source: Zgounder Feasibility Study, 2022 and Aya Public Filings

In our opinion, this is easily explainable. There's not as many ounces in the ground as Aya claims.

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