

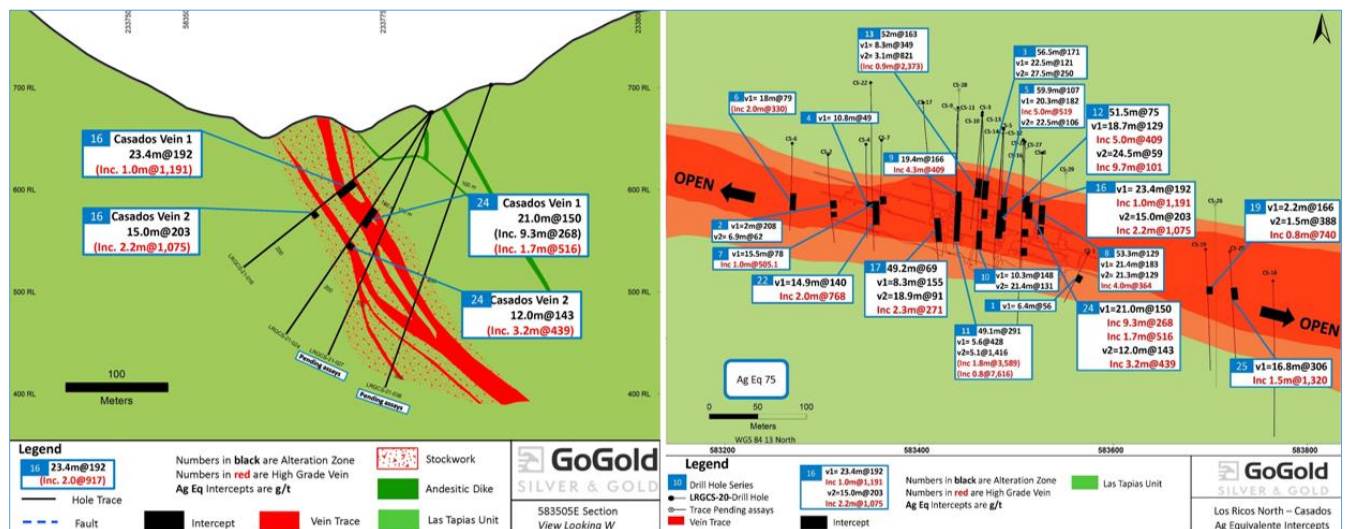
Ticker: GGD CN **Net cash:** US\$55m **Project:** Los Ricos / Parral
Market cap: C\$678m **Price:** C\$2.57/sh **Country:** Mexico: Jalisco / Chihuahua
RECOMMEND. (unc): BUY **TARGET** (unc): C\$3.50/sh **RISK RATING:** HIGH

La Trini and Favor are shaping up as very good near surface discoveries, but Casados has all the hallmarks of Los Ricos South, an old UG with historic plans being used to guide drilling. Most importantly, like Los Ricos South, is the 'bleed' from the high-grade vein into thick medium-grade intervals so lift can start with a pit then go UG. Most exciting is the hole 25, which (i) is bonanza grade with **1.5m @ 1,320g/t**, (ii) has a wide pittable halo of **17m @ 306g/t**, (iii) is near surface, and (iv) is well north of the old workings, potentially pointing to a new discovery. Given the previously reported deepest hole, well under old development but only 250m from surface, hit 1.5m @ 1,284g/t and 2.7m @ 1,412g/t, we think Casados is shaping into a triple play of (a) pit around old workings like Los Ricos south, (b) new pit / discovery near surface in untouched along-strike, and (c) deep roots for a deeper pit and / or future UG. As such, we **maintain our BUY rating and 0.8xNAV_{5%-1850-24} PT of C\$3.50/sh**. This only includes 75Moz @ US\$2.50/oz for Los Ricos North, a number looking not only beatable, but beatable quickly given the 100,000m programme underway and US\$55m cash on hand plus US\$5m pq FCF from Parral. **GoGold is unique among larger peer pre-producers** as the only developer (a) still building ounces, (b) with pure precious rather than lower payability polymetallic, (c) a mix of 'mega grade' veins and wider medium-grade haloes, (d) not relying on floating oxides, and (e) with a combination of pittable and UG extensions. We expect the success here continues and hence we would look for a 4Q21 MRE on Los Ricos North as a material share price driver. Even that is just the beginning with no rest for the wicked as the PFS for LRS follows in 1Q22.

Casados flies: 1.5m @ 1320g/t AgEq: pittable, extending strike, extending depth and blind shoots

A third set of holes from Casados at LRN saw highlights of **51.5m @ 75g/t AgEq** from multiple vein intersections, **23m @ 191g/t AgEq** including **1m @ 1190g/t AgEq** from Vein 1 and **2.2m @ 1075 AgEq** in Vein 2—extending Casados mineralization over 200m east of previous drilling and remains open.

Figure 1: (A) Casados vein cross section looking W and (B) plan map of today's results



Source: GoGold

Why we like GoGold

- Self-funds G&A and a portion of exploration from Parral, with options to extend to open dumps
- 'Hidden' silver company with Los Ricos predominantly silver
- Los Ricos an easily mineable open pit, on a single vein, extending to depth
- Los Ricos North drilled targets could support a standalone operation of similar size
- Undrilled Los Rico North targets could support multiples of Los Ricos South's size

Catalysts

- 2021: 100,000m of drilling at Los Ricos North
- 3Q21: Los Ricos North maiden MRE
- 1H21: Los Ricos South strike drilling

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Ticker: GGD CN		Price / mkt cap: C257c/sh, C\$678m					Group P/NAV today: 0.66x		Asset: L Ricos / Parral			
Author: B Salier		Recommendation BUY					Price target: C\$3.5/sh		Country: Mexico			
Commodity price		CY19A	CY20A	CY21E	CY22E	CY23E	Reserve / mining inventory		Ag Eq	Au Eq		
Gold price		1,379	1,748	1,802	1,820	1,850	Parral (SCP mine plan)	32Moz	63.4g/t	358koz	0.00g/t	
Silver price		15.8	19.25	25.93	25.19	24.00	Los Ricos (SCPe)	72Moz	189g/t	816koz	2.14g/t	
Group-level SOTP valuation							Esmeralda (not modelled)	14Moz	72g/t	155koz	0.82g/t	
		US\$m	O/ship	NAVx	C\$/sh*	Share data						
NPV Parral (4Q20)		184.4	100%	1.0x	0.89	Basic shares (m)	263.8		FD with options (m): 278.5			
NPV Los Ricos South (build start)		402.1	100%	0.8x	1.55	Ratio analysis^						
Esmeralda nominal (US\$50/oz Au)		7.8	100%	1.0x	0.04	Average shares out (m)	186.9	240.2	283.2	316.0	316.0	
Los Ricos North 75Moz @ US\$150/oz		187.5	100%	1.0x	0.90	EPS (USc/sh)	0.6	4.2	4.2	3.7	17.2	
NPV central & finance costs		(32.4)	100%	1.0x	(0.16)	CFPS before w/c (USc/sh)	4	(1)	(5)	(26)	23	
Net cash		55.0	100%	1.0x	0.26	EV (US\$m)	91.3	480.8	472.1	589.5	529.4	
Cash from options		8.1	100%	1.0x	0.04	FCF margin (%)	-17%	-7%	-31%	-174%	30%	
1xNAV5% 1Q20 US\$1850/oz		813				3.52	PER (x)	301x	45x	45x	52x	11x
Group NAV (US\$m)		SCP spot					P/CF (x)	0.0x	-	-	-	0.1x
		Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	EV/EBITDA (x)	15.4x	7.6x	4.3x	4.9x	1.2x
Group 1xNAV (US\$m)		Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Income statement^					
11% discount		629	648	666	685	704	Revenue, attrib (US\$m)	32.4	44.2	49.6	46.8	198.9
8% discount		698	720	742	764	785	COGS, attrib (US\$m)	23.1	25.5	21.9	21.9	93.1
5% discount		784	810	835	861	886	D&A, attrib (US\$m)	5.9	3.6	7.3	7.6	20.4
Ungeared project IRR:		51%	53%	55%	57%	59%	Gross profit, attrib (US\$m)					
Group NAV (C\$/sh)*		Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	Admin (US\$m)	(4.6)	(4.9)	(3.8)	(3.8)	(3.8)
11% discount		2.78/sh	2.86/sh	2.93/sh	3.01/sh	3.08/sh	Finance cost (US\$m)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
8% discount		3.06/sh	3.15/sh	3.24/sh	3.32/sh	3.41/sh	Expln, royalty, derivatives, forex (L	(0.8)	(1.0)	(0.0)	(0.0)	(0.0)
5% discount		3.41/sh	3.51/sh	3.61/sh	3.72/sh	3.82/sh	Tax (US\$m)	-	-	(1.7)	(1.7)	(27.1)
Los Ricos assumptions		Mt	AuEq (g/AgEq)	g/t AuEq (koAgEq)	Net income, attrib (US\$m)							
NI43-101 pit resource (M&I&I)		12.1	2.13	186	829	73	Cash flow^	CY19A	CY20A	CY21E	CY22E	CY23E
NI43-101 UG resource (M&I&I)		1.1	3.56	312	126	11	EBITDA (US\$m)	5.9	12.0	21.4	18.7	74.1
SCPe pit inventory		11.0	2.05	180	720	63	Less working Δ capital (US\$m)	(12.6)	(0.5)	(1.8)	0.8	(12.5)
SCPe UG inventory		0.9	1.16	296	96	8	Less finance costs (US\$m)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity							Less tax paid (US\$m)	-	-	(1.7)	(1.7)	(27.1)
NPV at build start (US\$m)		-20%	-10%	0% build	10%	20%	Add back other non-cash costs (U	(1.0)	2.4	2.4	2.2	27.8
-20% chg sustaining capex		423	421	419	417	415	Cash flow ops (US\$m)					
0% chg sustaining capex		406	404	402	400	398	PP&E - build (US\$m)	(3.0)	(1.0)	(30.7)	(101.3)	(2.0)
20% chg sustaining capex		389	387	385	383	381	Exploration (US\$m)	(4.2)	(15.9)	(4.8)	(0.0)	(0.0)
NPV at build start (US\$m)*							Asset sales (US\$m)	9.6	-	-	-	-
-20% chg pit \$/t		434	424	414	404	394	Cash flow inv. (US\$m)					
0% chg pit \$/t		422	412	402	392	382	Share issue (US\$m)	-	54.3	60.0	-	-
20% chg pit \$/t		410	400	390	380	370	Debt draw (repay) (US\$m)	(0.6)	(1.2)	-	-	-
Production (Y1 from 3Q20)							Cash flow fin. (US\$m)					
Parral prod'n (Moz AgEq)		2.0	2.3	1.9	1.9	1.9	Net change in cash (US\$m)	(6.0)	49.8	44.6	(81.5)	60.1
Los Ricos prod'n (Moz AgEq)		-	-	-	-	6.4	Balance sheet^					
C1 cost (US\$/oz AgEq)		11.33	11.21	11.45	11.80	11.28	Cash (US\$m)	5.0	56.4	101.0	19.6	79.7
AISC cost (US\$/oz AgEq)		13.92	13.56	14.12	14.47	12.94	Acc rec. + inv. (US\$m)	29.9	31.2	32.2	31.5	50.4
C3 cost (US\$/oz AgEq)		15.48	14.34	15.75	16.16	16.15	PPE (US\$m)	27.0	64.4	87.8	181.5	163.2
AISC = C1 + ug sustaining capex, C3 = AISC + depreciation							Exploration (US\$m)	14.4	26.7	31.5	31.6	31.6
12Moz							Others (US\$m)	12.0	13.5	13.5	13.5	13.5
10Moz							Total assets (US\$m)					
8Moz							Debt (US\$m)	5.4	3.2	3.2	3.2	3.2
6Moz							Accnts payable (US\$m)	7.2	7.6	6.7	6.7	13.1
4Moz							Deferred tax, closure provisions ar	2.0	3.0	3.0	3.0	3.0
2Moz							Total liabilities (US\$m)	14.5	13.7	12.9	12.9	19.2
0Moz							Shareholders equity (US\$m)	148.0	203.6	263.6	263.6	263.6
							Contributed surplus (US\$m)	8.1	8.6	8.6	8.6	8.6
							Retained earnings (US\$m)	(82.4)	(33.7)	(19.0)	(7.3)	47.0
							Liabilities + equity (US\$m)					
							88.2	192.2	266.1	277.8	338.4	

Source: SCP estimates; *diluted for options, but not for Los Ricos mine build; ^excludes Los Ricos

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TOTAL	36

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