

Ticker: GGD CN

SCPe cash: US\$81m

Project: Los Ricos / Parral

Market cap: C\$877m

Price: C\$3.16/sh

Country: Mexico: Jalisco / Chihuahua

RECOMMEND. (unc): BUY

TARGET (unc): C\$4.10/sh

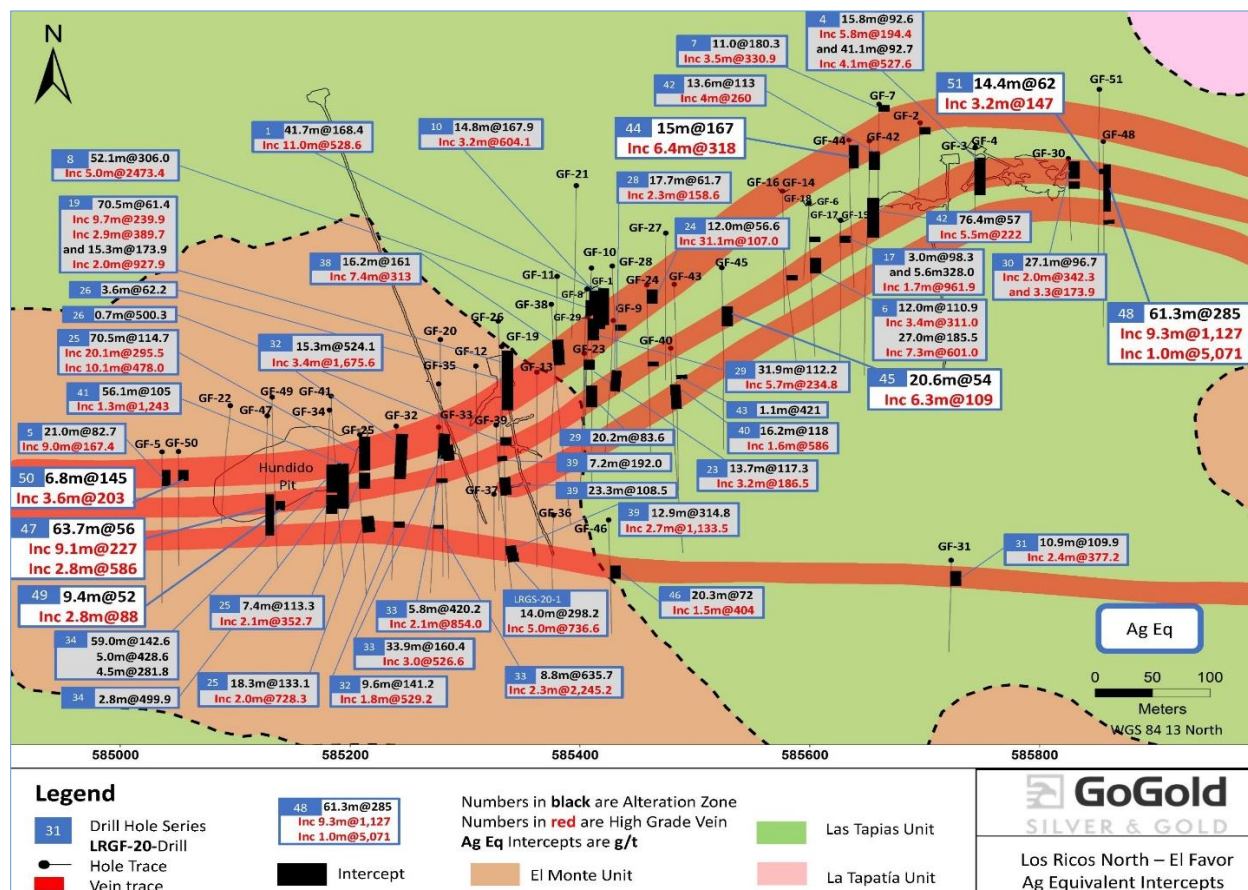
RISK RATING: HIGH

Yesterday's drilling is mostly infill, except for the monster headline hole hitting **61m @ 285g/t AgEq** (including **1m @ 5.0kg/t**, with an admirable 60m @ 205g/t outside the vein) near surface from 20m, bulking out mineralization further east, still wide open for potential extensions. In our view, this is the most material drill hit of the LRN campaign since each satellite discovery hole. It is thicker, shallower, and higher grade than almost all other LRN drilling. Stepping back, this is great follow-on to recent extensions to the west towards El Orito, where veins converge, and the discovery of new sub-parallel veins to the south. As such, we **maintain our BUY rating and 0.8xNAV<sub>5%-1850-24</sub> C\$4.10/sh PT**. This holds LRN at 125Moz @ US\$2.50/oz AgEq for Los Ricos North, a number looking not only beatable, but beatable quickly given the 100,000m programme underway and ~US\$80m pro-forma cash plus ~US\$5m pq FCF from Parral. A 4Q21 MRE on Los Ricos North should crystalize the value of this asset, along with 2H21 discovery drilling on Los Ricos North, and a resumption of drilling on Los Ricos South in due course.

## El Favor extended east with bulk 61m @ 285g/t AgEq including high-grade 1m @ 5,071g/t AgEq

Yesterday's seven holes from El Favor highlighted **61m @ 285g/t AgEq** (>17,000gm) including **1m @ 5,071g/t AgEq** in the easternmost hole drilled to date. Other highlights include shallow intercepts of 6.5m @ 94g/t from 57m in the Favor vein and **63.7m @ 56g/t AgEq** (>3500gxm) in the Salomon vein from 81m in the same hole near the Hundido pit. Drilling is ongoing to test the eastern extension of yesterday's headline intercept (LRGF-21-048).

Figure 1. El Favor drill map showing yesterday's 1m @ 5,071g/t AgEq furthest east



Source: GoGold

## Why we like GoGold

- Self-funds G&A and a portion of exploration from Parral, with options to extend to new 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
- 4Q21: Los Ricos North maiden MRE
- 2H21: Los Ricos South strike drilling

## Research

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Ticker: GGD CN		Price / mkt cap: C316c/sh, C\$877m					Group P/NAV today: 0.70x				Asset: L. Ricos / Parral			
Author: B Salier		Recommendation BUY					Price target: C\$4.1/sh				Country: Mexico			
Commodity price		CY19A	CY20A	CY21E	CY22E	CY23E	Reserve / mining inventory		Ag Eq		Au Eq			
Gold price		1,379	1,748	1,745	1,785	1,850	Parral (SCP mine plan)		32Moz	63.4g/t	358koz	0.00g/t		
Silver price		15.8	19.25	24.38	24.23	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 (2Q21)		171.6	100%	1.0x	0.84	Basic shares (m)		277.4	FD with options (m):		290.5			
NPV Los Ricos South (build start)		402.2	100%	0.8x	1.58	Ratio analysis^		CY19A	CY20A	CY21E	CY22E	CY23E		
Esmeralda nominal (US\$50/oz Au)		7.8	100%	1.0x	0.04	Average shares out (m)		186.9	239.6	281.6	314.4	314.4		
Los Ricos North 125Moz @ US\$150/oz		312.5	100%	1.0x	1.54	EPS (US\$/sh)		0.6	4.3	3.4	2.1	15.9		
NPV central & finance costs		(66.9)	100%	1.0x	(0.33)	CFPS before w/c (US\$/sh)		4	(1)	(7)	(28)	22		
Pro-forma cash		81.3	100%	1.0x	0.40	EV (US\$m)		91.3	559.3	564.5	692.9	637.6		
Cash from options		6.1	100%	1.0x	0.03	FCF margin (%)		-17%	-7%	-44%	-191%	28%		
1xNAV5% 1Q21 US\$1850/oz		915			4.10	PER (x)		347x	52x	65x	105x	14x		
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	6.7x	1.3x		
Group 1xNAV (US\$m)		Ag: \$23.0oz \$24.0oz \$25.0oz \$26.0oz \$27.0oz				Income statement^			CY19A	CY20A	CY21E	CY22E	CY23E	
11% discount		745	764	783	802	821	Revenue, attrib (US\$m)			32.4	44.2	47.1	45.5	198.4
8% discount		809	831	853	875	897	COGS, attrib (US\$m)			23.1	25.5	23.4	21.9	93.1
5% discount		889	915	940	966	991	D&A, attrib (US\$m)			5.9	3.6	6.5	7.7	20.5
Ungeared project IRR:		51%	53%	55%	57%	59%	Gross profit, attrib (US\$m)			3.1	15.1	17.2	15.9	84.8
		Au: \$1750oz \$1850oz \$1950oz \$2050oz \$2150oz						Admin (US\$m)	(4.6)	(4.9)	(4.6)	(3.8)	(3.8)	
Group NAV (C\$/sh)*		Ag: \$23.0oz \$24.0oz \$25.0oz \$26.0oz \$27.0oz				Finance cost (US\$m)			(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	
11% discount		3.41/sh	3.49/sh	3.57/sh	3.65/sh	3.73/sh	Expln, royalty, derivatives, forex (L			(0.8)	(1.0)	(3.5)	(3.8)	(3.8)
8% discount		3.67/sh	3.76/sh	3.86/sh	3.95/sh	4.04/sh	Tax (US\$m)			-	-	(1.3)	(1.5)	(27.1)
5% discount		4.00/sh	4.10/sh	4.21/sh	4.31/sh	4.42/sh	Net income, attrib (US\$m)			1.2	10.2	9.7	6.6	50.1
Los Ricos assumptions		Mt	AuEq (g/	AgEq (g/t	AuEq (ko	AgEq(Mo	Cash flow^			CY19A	CY20A	CY21E	CY22E	CY23E
NI43-101 pit resource (M&I&I)		12.1	2.13	186	829	73	EBITDA (US\$m)			5.9	12.0	13.7	13.8	70.0
NI43-101 UG resource (M&I&I)		1.1	3.56	312	126	11	Less working Δ capital (US\$m)			(12.6)	(0.5)	0.5	0.1	(13.1)
SCPe pit inventory		11.0	2.05	180	720	63	Less finance costs (US\$m)			(0.2)	(0.2)	(0.1)	(0.1)	(0.1)
SCPe UG inventory		0.9	1.16	296	96	8	Less tax paid (US\$m)			-	-	(1.3)	(1.5)	(27.1)
Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity						Add back other non-cash costs (U			(1.0)	2.4	1.9	2.1	27.7	
NPV at build start (US\$m)		-20%	-10%	0% build	10%	20%	Cash flow ops (US\$m)			(7.9)	13.6	14.7	14.4	57.4
-20% chg sustaining capex		423	421	419	417	415	PP&E - build (US\$m)			(3.0)	(1.0)	(30.5)	(101.3)	(2.0)
0% chg sustaining capex		406	404	402	400	398	Exploration (US\$m)			(4.2)	(15.9)	(4.8)	(0.0)	(0.0)
20% chg sustaining capex		389	387	385	383	381	Asset sales (US\$m)			9.6	-	-	-	-
NPV at build start (US\$m)*		-20%	-10%	0% UG	10%	20%	Cash flow inv. (US\$m)			2.5	(16.9)	(35.3)	(101.3)	(2.1)
-20% chg pit \$/t		434	424	414	404	394	Share issue (US\$m)			-	54.3	60.0	-	-
0% chg pit \$/t		422	412	402	392	382	Debt draw (repay) (US\$m)			(0.6)	(1.2)	-	-	-
20% chg pit \$/t		410	400	390	380	370	Cash flow fin. (US\$m)			(0.6)	53.1	60.0	-	-
Production (Y1 from 3Q20)		CY19A	CY20E	CY21E	CY22E	CY23E	Net change in cash (US\$m)			(6.0)	49.8	39.4	(86.9)	55.3
Parral prod'n (Moz AgEq)		2.0	2.3	1.9	1.9	1.9	Balance sheet^			CY19A	CY20A	CY21E	CY22E	CY23E
Los Ricos prod'n (Moz AgEq)		-	-	-	-	6.4	Cash (US\$m)			5.0	56.4	92.3	5.3	60.7
C1 cost (US\$/oz AgEq)		11.33	11.21	12.09	11.68	11.27	Acc rec. + inv. (US\$m)			29.9	31.2	30.1	30.0	49.4
AISC cost (US\$/oz AgEq)		13.92	13.56	14.93	14.33	12.90	PPE (US\$m)			27.0	64.4	88.5	182.1	163.6
C3 cost (US\$/oz AgEq)		15.48	14.34	16.33	16.03	16.11	Exploration (US\$m)			14.4	26.7	35.6	35.6	35.6
AISC = C1 + ug sustaining capex, C3 = AISC + depreciation						Others (US\$m)			12.0	13.5	14.0	14.0	14.0	
12Moz						Total assets (US\$m)			88	192	260	267	323	
10Moz						Debt (US\$m)			5.4	3.2	2.8	2.8	2.8	
8Moz						Accnts payable (US\$m)			7.2	7.6	7.0	7.0	13.3	
6Moz						Deferred tax, closure provisions ar			2.0	3.0	2.7	2.7	2.7	
4Moz						Total liabilities (US\$m)			14.5	13.7	12.5	12.5	18.8	
2Moz						Shareholders equity (US\$m)			148.0	203.6	264.2	264.2	264.2	
0Moz						Contributed surplus (US\$m)			8.1	8.6	9.2	9.2	9.2	
						Retained earnings (US\$m)			(82.4)	(33.7)	(25.4)	(18.8)	31.3	
						Liabilities + equity (US\$m)			88	192	260	267	323	

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

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NOT RATED:	0
TOTAL	42

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