

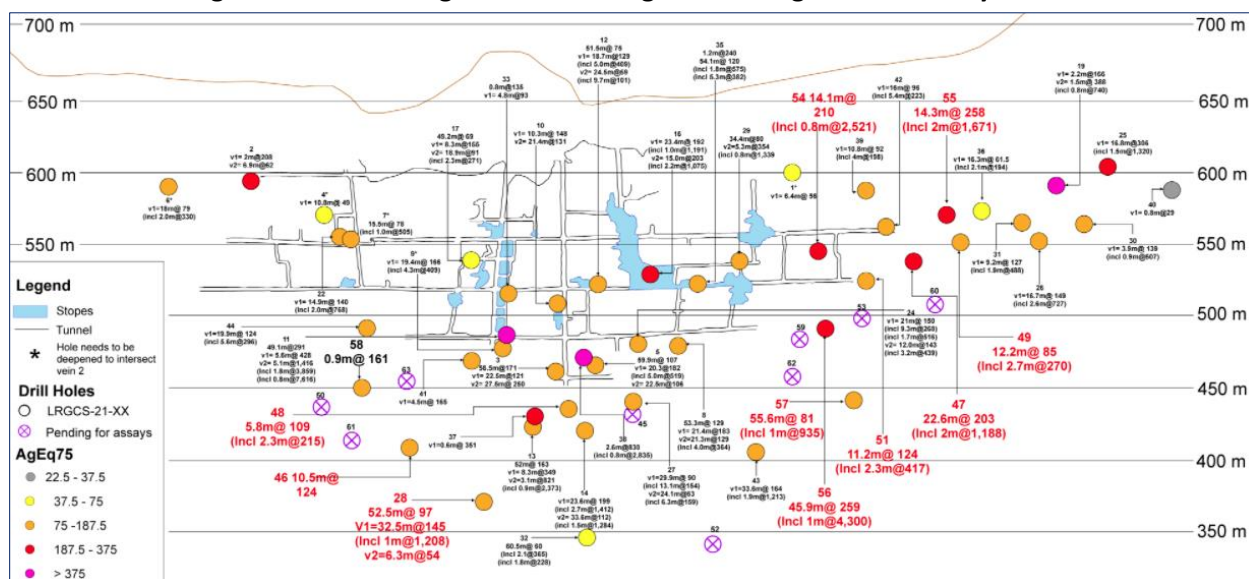
Ticker: GGD CN **Cash:** US\$73m **Project:** Los Ricos / Parral
Market cap: C\$813m **Price:** C\$2.95/sh **Country:** Mexico: Jalisco / Chihuahua
RECOMMEND. (unc): BUY **TARGET** (unc): C\$4.20/sh **RISK RATING:** HIGH

The consistency of nine veins reported today averaging 1.5m @ 1,173g/t AgEq, within ten reported bulk zones averaging 20m @ 170g/t (remarkably similar to Los Ricos South’s 186g/t) is perhaps more important than the admittedly impressive headline 1m @ 4.4kg/t AgEq. Casados is one of our favour targets along with El Orito, being pure Au/Ag (75/25 Ag/Au reported today), and high grade, with that magic ingredient again of a historic stop plan dug up by the committed GoGold ‘geo historians’. Looking to size potential, we already have ~700m total strike, of which the old workings extend over 350m; drilling today is effectively a ‘V shaped’ string of holes stepping ‘out’ ~50m (50m lateral on fringe, 50m deeper in core), itself representing a coherent ‘only drill what we can mine’ strategy. Taking a replica of Los Ricos South’s ~900m core could pro-rate to ~half that for ~45Moz already, although noting shallower 45 degree dip could see 20-30% more endowment per vertical meter. Combined with La Trinni, El Orito – El Favor we retain our view that Los Ricos South will match Los Ricos North, and potentially dramatically beat it given the multitude of undrilled targets (Mololoa, Mezquitez, Gran Cabrera etc). **We maintain our BUY rating and 0.8xNAV_{5%-1850-24} C\$4.20/sh PT.** This is based on a DCF valuation for Los Ricos South using 72Moz @ 189g/t AgEq, and 125Moz @ US\$2.50/oz AgEq for Los Ricos North, a number we won’t have to wait long for given the 100,000m drilling underway to support a year-end MRE. Adding a resumption of drilling on Los Ricos South in due course, GoGold remains a conviction ‘real’ silver name in a peer group rife with high market caps, complex polymet. metallurgy, and unanswered mining and metallurgical questions.

Casados delivers with 46m @ 187g/t cornerstoned by 1m @ 4.4kg/t AgEq

Eleven drill holes from the Casados target at Los Ricos North returned highlights of 46m @ 187g/t AgEq, comprising 1m @ 4,367g/t AgEq in a halo of 44m @ 167g/t AgEq. Other highlights included 23m @ 203g/t AgEq including 2m @ 1188g/t AgEq, plus 43m @ 257g/t including 2m @ 1,671g/t AgEq. The average across 10 holes with broader intercepts was 20m @ 170g/t AgEq, while nine vein intercepts averages 1.5m @ 1173g/t AgEq.

Figure 1. El Orito long section showing new drilling released today in red



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: C295c/sh, C\$813m	Group P/NAV today: 0.64x	Asset: L. Ricos / Parral
Author: B Salier	Recommendation: BUY	Price target: C\$4.2/sh	Country: Mexico

Commodity price	CY19A	CY20A	CY21E	CY22E	CY23E	Reserve / mining inventory	Ag Eq	Au Eq
Gold price	1,379	1,748	1,789	1,819	1,850	Parral (SCP mine plan)	32Moz 63.5g/t	358koz 0.00g/t
Silver price	15.8	19.25	25.83	25.50	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 (3Q21)	194.5	100%	1.0x	0.96	Basic shares (m) 275.7 FD with options (m): 288.8
NPV Los Ricos South (build start)	402.2	100%	0.8x	1.59	Ratio analysis^
Esmeralda nominal (US\$50/oz Au)	7.8	100%	1.0x	0.04	Average shares out (m)
Los Ricos North 125Moz @ US\$150/oz	312.5	100%	1.0x	1.55	EPS (USc/sh)
NPV central & finance costs	(66.9)	100%	1.0x	(0.33)	CFPS before w/c (USc/sh)
Cash (2Q21)	73.0	100%	1.0x	0.36	EV (US\$m)
Cash from options	4.0	100%	1.0x	0.02	FCF margin (%)
1xNAV5% 1Q21 US\$1850/oz	927			4.19	PER (x)
Group NAV (US\$m)					P/CF (x)
	SCP	spot			EV/EBITDA (x)
	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Group 1xNAV (US\$m)	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz

	CY19A	CY20A	CY21E	CY22E	CY23E	Income statement^
11% discount	757	776	795	815	834	Revenue, attrib (US\$m)
8% discount	823	845	868	890	912	COGS, attrib (US\$m)
5% discount	904	930	956	983	1,009	D&A, attrib (US\$m)
Ungeared project IRR:	51%	53%	55%	57%	59%	Gross profit, attrib (US\$m)
	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	Admin (US\$m)
Group NAV (C\$/sh)*	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Finance cost (US\$m)
11% discount	3.49	3.57	3.65	3.73	3.81	Expln, royalty, deriv., forex (US\$m)
8% discount	3.76	3.85	3.95	4.04	4.14	Tax (US\$m)
5% discount	4.09	4.20	4.31	4.42	4.53	Net income, attrib (US\$m)

Los Ricos assumptions	Mt	AuEq (g/AgEq)	g/AuEq (ko AgEq/Moz)			Cash flow^
NI43-101 pit resource (M&I&I)	12.1	2.13	186	829	73	EBITDA (US\$m)
NI43-101 UG resource (M&I&I)	1.1	3.56	312	126	11	Less working Δ capital (US\$m)
SCPe pit inventory	11.0	2.05	180	720	63	Less finance costs (US\$m)
SCPe UG inventory	0.9	1.16	296	96	8	Less tax paid (US\$m)
Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity						Add back other (US\$m)

NPV at build start (US\$m)	-20%	-10%	0% build	10%	20%	Cash flow ops (US\$m)
-20% chg sustaining capex	423	421	419	417	415	PP&E - build (US\$m)
0% chg sustaining capex	406	404	402	400	398	Exploration (US\$m)
20% chg sustaining capex	389	387	385	383	381	Asset sales (US\$m)
NPV at build start (US\$m)*	-20%	-10%	0% UG	10%	20%	Cash flow inv. (US\$m)
-20% chg pit \$/t	434	424	414	404	394	Share issue (US\$m)
0% chg pit \$/t	422	412	402	392	382	Debt draw (repay) (US\$m)
20% chg pit \$/t	410	400	390	380	370	Cash flow fin. (US\$m)
Production (Y1 from 3Q20)						Net change in cash (US\$m)

	CY19A	CY20E	CY21E	CY22E	CY23E	Balance sheet^
Parral prod'n (Moz AgEq)	2.0	2.3	2.1	2.0	2.1	Cash (US\$m)
Los Ricos prod'n (Moz AgEq)	-	-	-	-	6.4	Acc rec. + inv. (US\$m)
C1 cost (US\$/oz AgEq)	11.33	11.21	11.55	11.76	11.28	PPE (US\$m)
AISC cost (US\$/oz AgEq)	13.92	13.56	14.15	14.18	12.80	Exploration (US\$m)
C3 cost (US\$/oz AgEq)	15.48	14.30	15.63	15.87	15.89	Others (US\$m)
<i>AISC = C1 + ug sustaining capex, C3 = AISC + depreciation</i>						Total assets (US\$m)
12Moz						Debt (US\$m)
10Moz						Accnts payable (US\$m)
8Moz						Def. tax, closure, other (US\$m)
6Moz						Total liabilities (US\$m)
4Moz						Shareholders equity (US\$m)
2Moz						Contributed surplus (US\$m)
0Moz						Retained earnings (US\$m)
30/oz						Liabilities + equity (US\$m)
20/oz						88
10/oz						192
0/oz						287
						298
						358

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

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TENDER:	0
NOT RATED:	0
TOTAL	44

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