

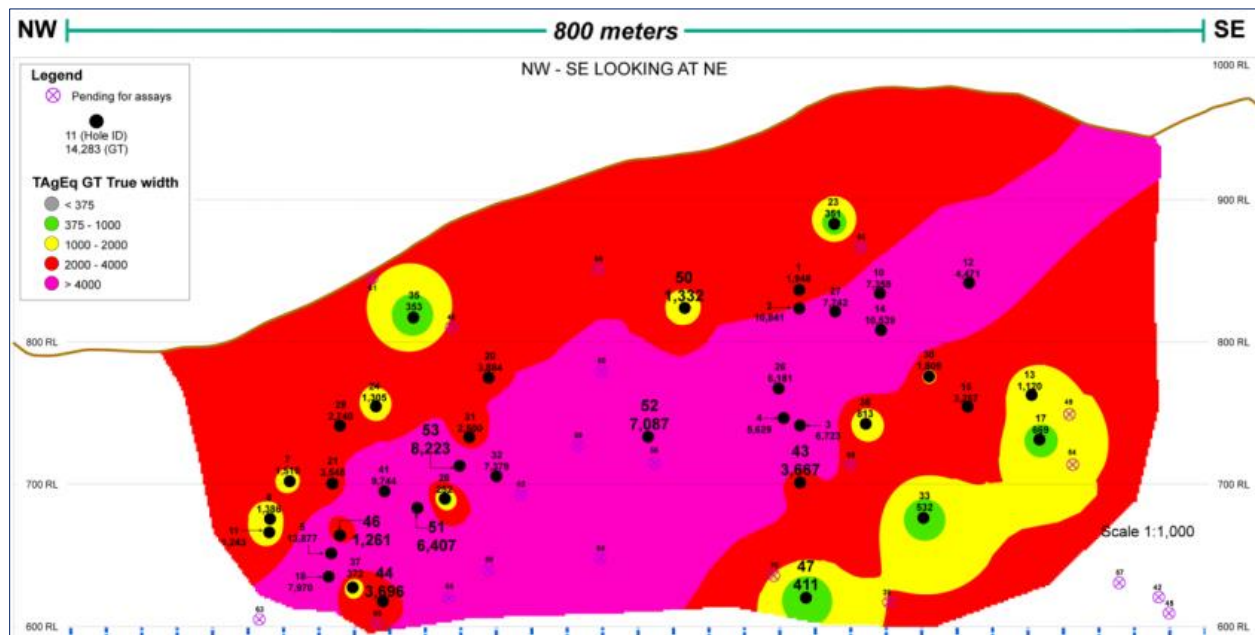
Ticker: GGD CN **Cash:** US\$73m **Project:** Los Ricos / Parral
Market cap: C\$749m **Price:** C\$2.72/sh **Country:** Mexico: Jalisco / Chihuahua
RECOMMEND. (unc): BUY **TARGET** (unc): C\$4.20/sh **RISK RATING:** HIGH

Today's drilling at El Orito is useful, with a high-grade plunging shoot emerging, corner-stoned by the headline 2m @ 1.2kg/t AgEq. This is a topographically lower occurrence, hence 85-15 base-precious splits. While this means it will likely be developed in a stage two (floatation rather than cyanidation) what is fascinating is the read through on the vertical extent of the system as a whole, with the deepest hits today being on the ~600RL. For reference, bonanza grades reported at Casados last week sit at ~740m, while along strike El Favour holes were collared at 1320m elevation, pointing to >600m vertical, a large system indeed. **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.

El Orito hits 1.7m @ 1,181g/t AgEq at Los Ricos north in broader 38.1m @ 186g/t AgEq

Eight diamond holes from El Orito have averaged 33m @ 121g/t AgEq, or 34m @ 132g/t AgEq for six holes over 100g/t. Intersections include high-grade cores, with highlights of 1.7m @ 1,181g/t AgEq, and 4.0m @ 539g/t AgEq. Intersections are base-metal dominant at ~50-25-15-10 Zn-Pb-Ag-Cu.

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:		C273c/sh, C\$753m		Group P/NAV today: 0.60x				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)		186.9	239.6	289.3	326.8
Los Ricos North 125Moz @ US\$150/oz		312.5		100%	1.0x	1.55	EPS (USc/sh)		0.6	4.3	3.3	3.3
NPV central & finance costs		(66.9)		100%	1.0x	(0.33)	CFPS before w/c (USc/sh)		4	(1)	(6)	(25)
Cash (2Q21)		73.0		100%	1.0x	0.36	EV (US\$m)		91.3	511.5	568.7	692.1
Cash from options		4.0		100%	1.0x	0.02	FCF margin (%)		-17%	-7%	-37%	-157%
1xNAV5% 1Q21 US\$1850/oz		927				4.19	PER (x)		300x	45x	57x	57x
Group NNAV (US\$m)		SCP		spot			P/CF (x)		0.0x	-	-	0.1x
		Au:	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	EV/EBITDA (x)		15.4x	7.6x	4.6x
Group 1xNAV (US\$m)		Ag:	\$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Income statement^		CY19A	CY20A	CY21E
11% discount			755	774	794	813	833	Revenue, attrib (US\$m)		32.4	44.2	54.9
8% discount			820	843	865	888	910	COGS, attrib (US\$m)		23.1	25.5	24.5
5% discount			901	927	953	979	1,006	D&A, attrib (US\$m)		5.9	3.6	6.6
Ungeared project IRR:			51%	53%	55%	57%	59%	Gross profit, attrib (US\$m)		3.1	15.2	23.7
		Au:	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz	Admin (US\$m)		(4.6)	(4.9)	(4.6)
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)
11% discount			3.48	3.56	3.64	3.73	3.81	Expln, royalty, deriv., forex (US\$)		(0.8)	(1.0)	(3.5)
8% discount			3.75	3.84	3.94	4.03	4.12	Tax (US\$m)		-	-	(1.9)
5% discount			4.08	4.19	4.30	4.41	4.52	Net income, attrib (US\$m)		1.2	10.3	9.6
Los Ricos assumptions		Mt	AuEq (g/t)	AgEq (g/t)	AuEq (koz)	AgEq (Moz)	Cash flow^		CY19A	CY20A	CY21E	
NI43-101 pit resource (M&I&I)		12.1	2.13	186	829	73	EBITDA (US\$m)		5.9	12.0	19.6	
NI43-101 UG resource (M&I&I)		1.1	3.56	312	126	11	Less working Δ capital (US\$m)		(12.6)	(0.5)	(2.0)	
SCPe pit inventory		11.0	2.05	180	720	63	Less finance costs (US\$m)		(0.2)	(0.2)	(0.1)	
SCPe UG inventory		0.9	1.16	296	96	8	Less tax paid (US\$m)		-	-	(1.9)	
Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity							Add back other (US\$m)		(1.0)	2.4	2.6	
NPV at build start (US\$m)		-20%	-10%	0% build	10%	20%	Cash flow ops (US\$m)		(7.9)	13.6	18.2	
-20% chg sustaining capex		423	421	419	417	415	PP&E - build (US\$m)		(3.0)	(1.0)	(30.5)	
0% chg sustaining capex		406	404	402	400	398	Exploration (US\$m)		(4.2)	(15.9)	(8.2)	
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)	(38.7)	
-20% chg pit \$/t		434	424	414	404	394	Share issue (US\$m)		-	54.3	79.8	
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	79.8	
Production (Y1 from 3Q20)		CY19A	CY20E	CY21E	CY22E	CY23E	Net change in cash (US\$m)		(6.0)	49.8	59.3	
Parral prod'n (Moz AgEq)		2.0	2.3	2.1	2.0	2.1	Balance sheet^		CY19A	CY20A	CY21E	
Los Ricos prod'n (Moz AgEq)		-	-	-	-	6.4	Cash (US\$m)		5.0	56.4	112.2	
C1 cost (US\$/oz AgEq)		11.33	11.21	11.55	11.76	11.28	Acc rec. + inv. (US\$m)		29.9	31.2	33.7	
AISC cost (US\$/oz AgEq)		13.92	13.56	14.15	14.18	12.80	PPE (US\$m)		27.0	64.4	88.3	
C3 cost (US\$/oz AgEq)		15.48	14.30	15.63	15.87	15.89	Exploration (US\$m)		14.4	26.7	38.9	
AISC = C1 + ug sustaining capex, C3 = AISC + depreciation							Others (US\$m)		12.0	13.5	14.0	
12Moz							Total assets (US\$m)		88	192	287	
10Moz							Debt (US\$m)		5.4	3.2	2.8	
8Moz							Accnts payable (US\$m)		7.2	7.6	8.1	
6Moz							Def. tax, closure, other (US\$m)		2.0	3.0	2.7	
4Moz							Total liabilities (US\$m)		14.5	13.7	13.6	
2Moz							Shareholders equity (US\$m)		148.0	203.6	284.0	
0Moz							Contributed surplus (US\$m)		8.1	8.6	9.2	
							Retained earnings (US\$m)		(82.4)	(33.7)	(19.6)	
							Liabilities + equity (US\$m)		88	192	287	
									88	192	287	
									298	298	358	

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

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