

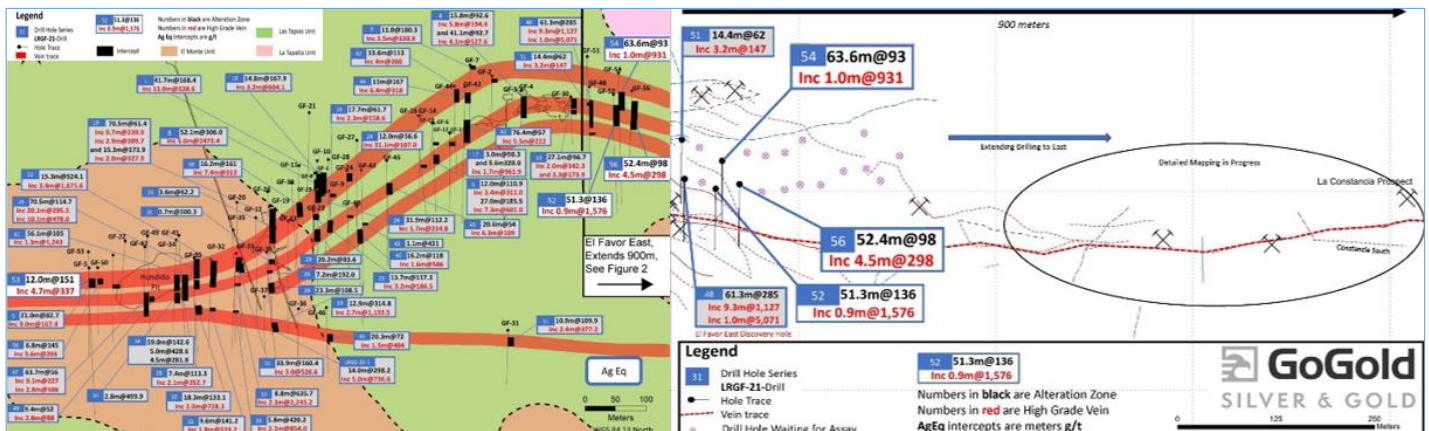
Ticker: GGD CN **Cash:** US\$73m **Project:** Los Ricos / Parral
Market cap: C\$739m **Price:** C\$2.68/sh **Country:** Mexico: Jalisco / Chihuahua
RECOMMEND. (unc): BUY **TARGET** (unc): C\$4.20/sh **RISK RATING:** HIGH

*El Favor just got bigger with today's five holes extending mineralization to the East returning a mix of bulk intervals including higher grade vein intercepts at the new El Favor East target where mineralization is mapped up to 900m further east from today's drilling. Although lower grade than Los Ricos South, the consistency of mineralisation, and continuity as the rigs tram east, points to an extremely large system in case investors hadn't recognised that already. We would look for continued footprint drilling to then hone in on higher grade areas with material contribution to a maiden MRE. **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.*

New hits of 9.3m @ 1,127 AgEq from El Favor East target point to potential 900m extension

GoGold reported five new holes from Los Ricos North at El Favor highlighting bulk hits of **51.3m @ 136g/t AgEq, 61.3m @ 285g/t AgEq, 52.4m @ 98g/t AgEq, and 63.6m @ 93g/t AgEq** in the newly discovered El Favor East Zone. Narrower higher grade vein highlights included **0.9m @ 1,576 AgEq, 9.3m @ 1,127g/t AgEq, 1m @ 5,071g/t AgEq, and 1m @ 931g/t AgEq**. GoGold's mapping program at El Favor East has extended mineralization 900m to the east of the discovery hole (hole 48 in Figure 1B). Assays are pending from drilling even further to the east.

Figure 1. (A) El Favor drill map and new (B) 900m long El Favor East target with today's drilling



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

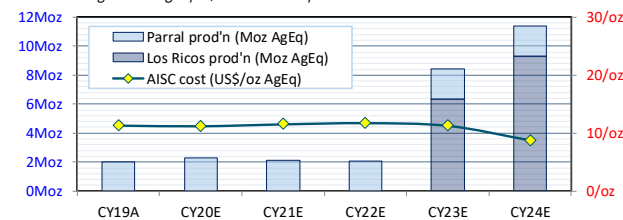
Research

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Ticker: GGD CN	Price / mkt cap: C268c/sh, C\$739m	Group P/NAV today: 0.58x			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
						Share data		
NPV Parral (3Q21)		US\$m	O/ship	NAVx	C\$/sh*	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^	CY19A	CY20A
Esmeralda nominal (US\$50/oz Au)		7.8	100%	1.0x	0.04	Average shares out (m)	186.9	239.6
Los Ricos North 125Moz @ US\$150/oz		312.5	100%	1.0x	1.55	EPS (USc/sh)	0.6	4.3
NPV central & finance costs		(66.9)	100%	1.0x	(0.33)	CFPS before w/c (USc/sh)	4	(1)
Cash (2Q21)		73.0	100%	1.0x	0.36	EV (US\$m)	91.3	511.5
Cash from options		4.0	100%	1.0x	0.02	FCF margin (%)	-17%	-7%
1xNAV5% 1Q21 US\$1850/oz		927			4.19	PER (x)	294x	44x
Group NAV (US\$m)						P/CF (x)	0.0x	-
						EV/EBITDA (x)	15.4x	7.6x
						Income statement^	CY19A	CY20A
						Revenue, attrib (US\$m)	32.4	44.2
						COGS, attrib (US\$m)	23.1	25.5
						D&A, attrib (US\$m)	5.9	3.6
						Gross profit, attrib (US\$m)	3.1	15.2
						Admin (US\$m)	(4.6)	(4.9)
						Finance cost (US\$m)	(0.2)	(0.2)
						Expln, royalty, deriv., forex (US\$m)	(0.8)	(1.0)
						Tax (US\$m)	-	-
						Net income, attrib (US\$m)	1.2	10.3
						Cash flow^	CY19A	CY20A
						EBITDA (US\$m)	5.9	12.0
						Less working Δ capital (US\$m)	(12.6)	(0.5)
						Less finance costs (US\$m)	(0.2)	(0.2)
						Less tax paid (US\$m)	-	-
						Add back other (US\$m)	(1.0)	2.4
						Cash flow ops (US\$m)	(7.9)	13.6
						PP&E - build (US\$m)	(3.0)	(1.0)
						Exploration (US\$m)	(4.2)	(15.9)
						Asset sales (US\$m)	9.6	-
						Cash flow inv. (US\$m)	2.5	(16.9)
						Share issue (US\$m)	-	54.3
						Debt draw (repay) (US\$m)	(0.6)	(1.2)
						Cash flow fin. (US\$m)	(0.6)	53.1
						Net change in cash (US\$m)	(6.0)	49.8
						Balance sheet^	CY19A	CY20A
						Cash (US\$m)	5.0	56.4
						Acc rec. + inv. (US\$m)	29.9	31.2
						PPE (US\$m)	27.0	64.4
						Exploration (US\$m)	14.4	26.7
						Others (US\$m)	12.0	13.5
						Total assets (US\$m)	88	192
						Debt (US\$m)	5.4	3.2
						Accnts payable (US\$m)	7.2	7.6
						Def. tax, closure, other (US\$m)	2.0	3.0
						Total liabilities (US\$m)	14.5	13.7
						Shareholders equity (US\$m)	148.0	203.6
						Contributed surplus (US\$m)	8.1	8.6
						Retained earnings (US\$m)	(82.4)	(33.7)
						Liabilities + equity (US\$m)	88	192

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



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UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

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