

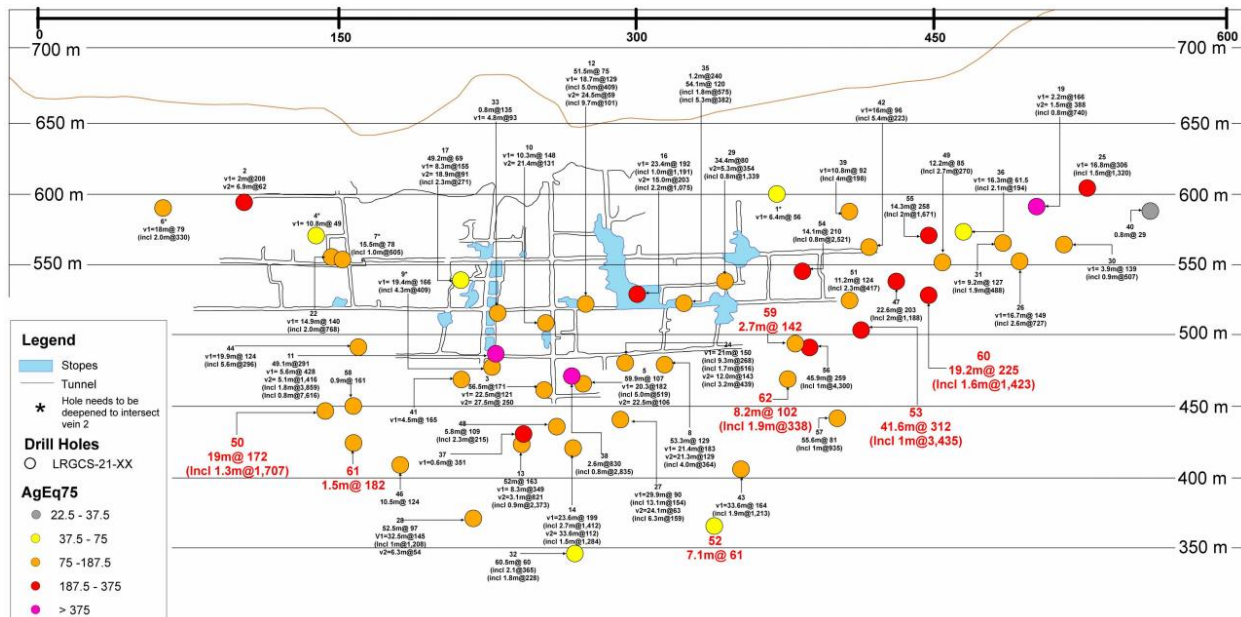
**Ticker:** GGD CN      **Net cash:** C\$55m      **Project:** Los Ricos / Parral  
**Market cap:** C\$780m      **Price:** C\$2.81/sh      **Country:** Mexico  
**RECOMMEND.** (unc): BUY      **TARGET** (unc): C\$3.30/sh      **RISK RATING:** HIGH

In short, we think today’s drilling is excellent as it replicates both the style and tenor, if not strike (yet), of Los Ricos South. Once again, good archive-mapping of historic workings allowed the company to target in on the ‘bleed zone’ around old mined veins, with best hits today very much pitable as they carry along strike from old workings. We are both astonished at the pace of drilling that has now led GoGold to cut-off drilling here and at La Trini ahead of a fall MRE, and the pace at which new undrilled targets are being worked up. Overall Casados appears to be shaping up as a ‘mini Los Ricos South’, with perhaps 40-50% of the size; as one of 4 drilling centres this clearly gives Los Ricos North the potential to exceed Los Ricos South. As such, we **maintain our BUY rating and C\$3.30/sh PT**. Drill bit momentum should now evolve into the MRE as a catalyst, followed by discovering drilling if early wins prove to be the tip of the iceberg.

**Los Ricos North keeps growing with 1m @ 3,435g/t at Casados within 42m @ 312g/t AgEq**

Beyond the headline intercept, other hits from seven holes at Casados include narrow vein highlights of 1.6m @ 1,423g/t AgEq and 1.3m @ 1,706g/t, within broader haloes including 19m @ 224g/t AgEq, and 19m @ 172g/t. Adding two lower grade hits to the four wider hits the *average* intersection was 19m @ 229g/t AgEq. A fall target for maiden LRN resource means drilling for Casados and La Trini will now be cut off as the resource model is prepared. To the north of Casados a low-sulphidation vein field has been mapped over 800x400m along strike; this will become a priority drill target in due course.

**Figure 1. Long section showing new drilling released at Casados today**



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 single vein, extending to depth
- Los Ricos North has potential for new standalone operations of similar size

**Catalysts**

- 2021: 100,000m of drilling at Los Ricos North

- 3Q21: Los Ricos North maiden MRE
- 1H21: Los Ricos South strike drilling

## Research

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<b>Ticker:</b> GGD CN	<b>Price / mkt cap:</b> C281c/sh, C\$780m	<b>Group P/NAV today:</b> 0.61x	<b>Asset:</b> L. Ricos / Parral
<b>Author:</b> B Salier	<b>Recommendation:</b> BUY	<b>Price target:</b> C\$4.2/sh	<b>Country:</b> Mexico

Commodity price	CY19A	CY20A	CY21E	CY22E	CY23E	Reserve / mining inventory	Ag Eq	Au Eq		
Gold price	1,379	1,748	1,792	1,819	1,850	Parral (SCP mine plan)	32Moz	63.3g/t	358koz	0.00g/t
Silver price	15.8	19.25	25.80	25.50	24.00	Los Ricos (SCPe)	72Moz	189g/t	816koz	2.14g/t
<b>Group-level SOTP valuation</b>						Esmeralda (not modelled)	14Moz	72g/t	155koz	0.82g/t

	US\$m	O/ship	NAVx	C\$/sh*
NPV Parral (3Q21)	172.9	100%	1.0x	0.83
NPV Los Ricos South (build start)	402.2	100%	0.8x	1.55
Esmeralda nominal (US\$100/oz Au)	15.5	100%	1.0x	0.07
Los Ricos North 125Moz @ US\$150/oz	312.5	100%	1.0x	1.51
NPV central & finance costs	(30.0)	100%	1.0x	(0.14)
Cash (2Q21)	73.5	100%	1.0x	0.35
Cash from options	7.2	100%	1.0x	0.03
<b>1xNAV5% 1Q21 US\$1850/oz</b>	<b>954</b>			<b>4.21</b>

Group NAV (US\$m)	SCP	spot
Au: \$1750oz	\$1850oz	\$1950oz
Ag: \$23.0oz	\$24.0oz	\$25.0oz
\$2050oz	\$2150oz	
<b>Group 1xNAV (US\$m)</b>		
11% discount	777	796
8% discount	845	867
5% discount	928	954
Ungeared project IRR:	51%	53%
	55%	57%
	59%	59%

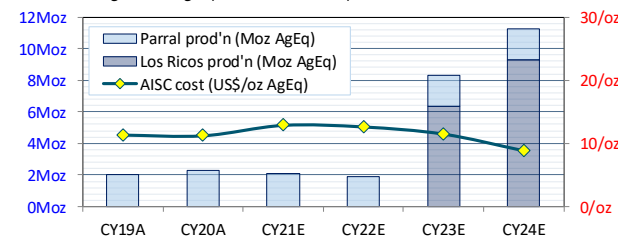
Group NAV (C\$/sh)*	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	
11% discount	3.50	3.58	3.65	3.73	3.80
8% discount	3.77	3.86	3.95	4.03	4.12
5% discount	4.10	4.21	4.31	4.41	4.52

Los Ricos assumptions	Mt	AuEq (g/t)	AgEq (g/t)	AuEq (koz)	AgEq(Moz)
NI43-101 pit resource (M&I&I)	12.1	2.13	186	829	73
NI43-101 UG resource (M&I&I)	1.1	3.56	312	126	11
SCPe pit inventory	11.0	2.05	180	720	63
SCPe UG inventory	0.9	1.16	296	96	8

Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity					
NPV at build start (US\$m)	-20%	-10%	0% build	10%	20%
-20% chg sustaining capex	423	421	419	417	415
0% chg sustaining capex	406	404	402	400	398
20% chg sustaining capex	389	387	385	383	381
<b>NPV at build start (US\$m)*</b>	<b>-20%</b>	<b>-10%</b>	<b>0% UG</b>	<b>10%</b>	<b>20%</b>
-20% chg pit \$/t	434	424	414	404	394
0% chg pit \$/t	422	412	402	392	382
20% chg pit \$/t	410	400	390	380	370

Production (Y1 from 3Q20)	CY19A	CY20A	CY21E	CY22E	CY23E
Parral prod'n (Moz AgEq)	2.0	2.3	2.1	1.9	1.9
Los Ricos prod'n (Moz AgEq)	-	-	-	-	6.4
C1 cost (US\$/oz AgEq)	11.33	11.21	12.88	12.63	11.47
AISC cost (US\$/oz AgEq)	13.92	13.56	15.92	15.22	13.35
C3 cost (US\$/oz AgEq)	15.48	14.33	17.18	16.83	16.81

AISC = C1 + ug sustaining capex, C3 = AISC + depreciation



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

Share data	CY19A	CY20A	CY21E	CY22E	CY23E
Basic shares (m)	277.7				
FD with options (m)					292.3
<b>Ratio analysis^</b>					
Average shares out (m)	186.9	240.2	288.1	329.7	329.7
EPS (USc/sh)	0.6	4.3	3.3	3.6	16.5
CFPS before w/c (USc/sh)	4	(1)	(7)	(25)	22
EV (US\$m)	91.3	514.8	596.0	719.9	660.0
FCF margin (%)	-17%	-7%	-41%	-167%	30%
PER (x)	313x	47x	60x	56x	12x
P/CF (x)	0.0x	-	-	-	0.1x
EV/EBITDA (x)	15.4x	7.6x	6.0x	4.9x	1.2x

Income statement^	CY19A	CY20A	CY21E	CY22E	CY23E
Revenue, attrib (US\$m)	32.4	44.2	53.7	48.7	200.7
COGS, attrib (US\$m)	23.1	25.5	26.8	24.1	95.3
D&A, attrib (US\$m)	5.9	3.6	6.0	7.3	20.1
<b>Gross profit, attrib (US\$m)</b>	<b>3.1</b>	<b>15.1</b>	<b>20.9</b>	<b>17.3</b>	<b>85.3</b>
Admin (US\$m)	(4.6)	(4.9)	(5.7)	(3.8)	(3.8)
Finance cost (US\$m)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)
Expln, royalty, forex (US\$m)	(0.8)	(1.0)	(1.0)	-	-
Tax (US\$m)	-	-	(1.1)	(1.7)	(27.1)
<b>Net income, attrib (US\$m)</b>	<b>1.2</b>	<b>10.2</b>	<b>9.6</b>	<b>11.8</b>	<b>54.4</b>

Cash flow^	CY19A	CY20A	CY21E	CY22E	CY23E
EBITDA (US\$m)	5.9	12.0	15.1	18.6	73.9
Less working Δ capital (US\$m)	(12.6)	(0.5)	(2.0)	1.2	(12.5)
Less finance costs (US\$m)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)
Less tax paid (US\$m)	-	-	(1.1)	(1.7)	(27.1)
Add back other (US\$m)	(1.0)	2.4	6.0	1.7	27.7
<b>Cash flow ops (US\$m)</b>	<b>(7.9)</b>	<b>13.6</b>	<b>18.0</b>	<b>19.8</b>	<b>62.0</b>
PP&E - build (US\$m)	(3.0)	(1.0)	(28.0)	(101.3)	(2.0)
Exploration (US\$m)	(4.2)	(15.9)	(12.2)	-	-
Asset sales (US\$m)	9.6	-	-	-	-
<b>Cash flow inv. (US\$m)</b>	<b>2.5</b>	<b>(16.9)</b>	<b>(40.2)</b>	<b>(101.3)</b>	<b>(2.0)</b>

Cash flow fin. (US\$m)	CY19A	CY20A	CY21E	CY22E	CY23E
Share issue (US\$m)	-	54.3	82.0	-	-
Debt draw (repay) (US\$m)	(0.6)	(1.2)	(0.4)	-	-
<b>Cash flow fin. (US\$m)</b>	<b>(0.6)</b>	<b>53.1</b>	<b>81.5</b>	<b>-</b>	<b>-</b>
Net change in cash (US\$m)	(6.0)	49.8	59.4	(81.5)	59.9
<b>Balance sheet^</b>	<b>CY19A</b>	<b>CY20A</b>	<b>CY21E</b>	<b>CY22E</b>	<b>CY23E</b>
Cash (US\$m)	5.0	56.4	111.5	30.0	89.9
Acc rec. + inv. (US\$m)	29.9	31.2	34.2	33.5	52.3
PPE (US\$m)	27.0	64.4	86.2	180.2	162.1
Exploration (US\$m)	14.4	26.7	43.6	43.6	43.6
Others (US\$m)	12.0	13.5	15.3	15.3	15.3
<b>Total assets (US\$m)</b>	<b>88</b>	<b>192</b>	<b>291</b>	<b>303</b>	<b>363</b>

Debt (US\$m)	5.4	3.2	2.7	2.7	2.7
Accnts payable (US\$m)	7.2	7.6	8.6	8.6	14.9
Def. tax, closure, other (US\$m)	2.0	3.0	6.1	6.1	6.1
Total liabilities (US\$m)	14.5	13.7	17.4	17.4	23.8
Shareholders equity (US\$m)	148.0	203.6	286.7	286.7	286.7
Contributed surplus (US\$m)	8.1	8.6	9.7	9.7	9.7
Retained earnings (US\$m)	(82.4)	(33.7)	(23.0)	(11.2)	43.2
<b>Liabilities + equity (US\$m)</b>	<b>88</b>	<b>192</b>	<b>291</b>	<b>303</b>	<b>363</b>

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TENDER:	0
NOT RATED:	0
TOTAL:	45

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