

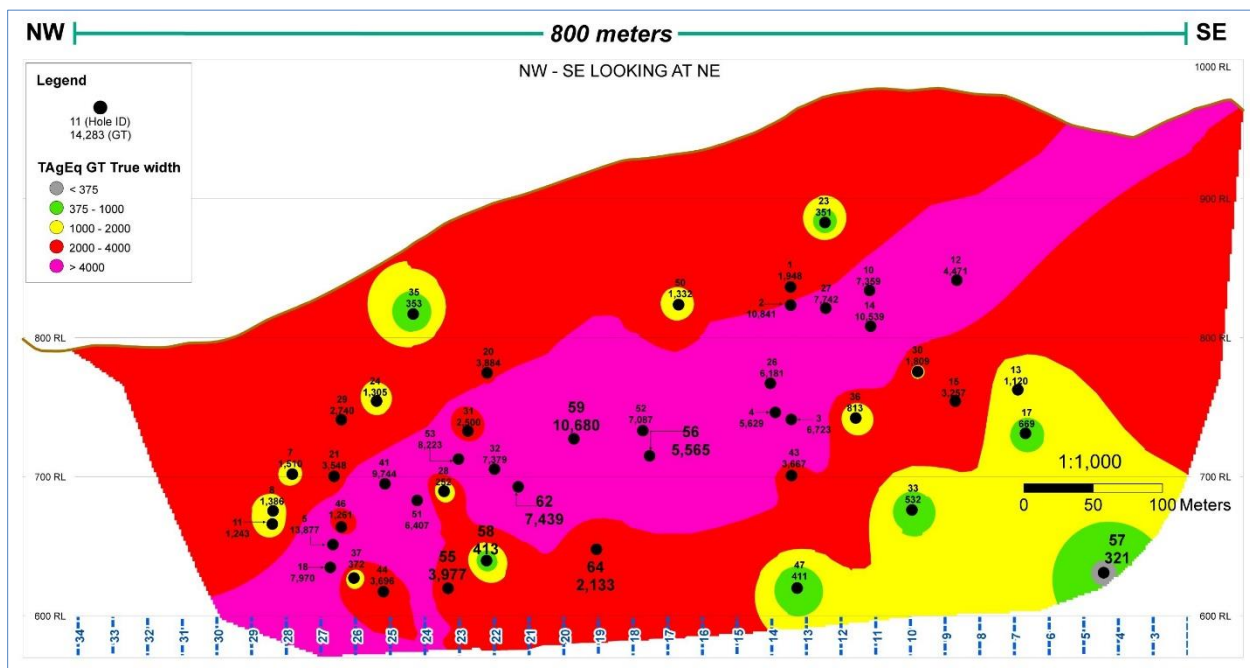
Ticker: GGD CN **Net cash:** C\$55m **Project:** Los Ricos / Parral
Market cap: C\$841m **Price:** C\$3.03/sh **Country:** Mexico
RECOMMEND. (unc): BUY **TARGET (unc):** C\$3.30/sh **RISK RATING:** HIGH

In short, we think today’s drilling shows a nice mix of high-grades within broader zones as demonstrated by the headlined 1.2m @ 1,197g/t AgEq within 73.7m @ 101g/t AgEq. Interestingly both of these holes are within the new chargeability target outlined in recent IP that confirms this will be useful in future targeting at LRN. Ahead of the maiden MRE this fall, the El Orito – El Favor structure is now traced >2.5km in strike and wide open. What is fascinating is the read through on the vertical extent of the system as a whole, with El Orito in a topographically lower occurrence and some of the deepest hits being on the ~400RL while El Favor the deepest hit is ~1,000RL, pointing to >600m vertical, a large system indeed. Stepping back, we are both astonished at the pace of drilling that has now brought El Orito towards the data cut-off ahead of a maiden MRE, and the pace at which new undrilled targets are being worked up. 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.

El Orito hits 1.2m @ 1.2kg/t within bulk 73.7m @ 101g/t AgEq ahead of MRE cut-off date

GoGold reported six holes from El Orito at LRN headlined **1.2m @ 1,197g/t AgEq** within broader **73.7m @ 101g/t AgEq** and **43.5m @ 245.5g/t AgEq** (>10,000gxm) drilled into strong chargeability target shown in new IP survey. El Orito is approaching the data cut off maiden MRE. Assays are pending from the El Favor east zone as drilling continues at El Favor east, Mololoa and El Nayar.

Figure 1. Drilling long section at El Orito showing grade x thickness AgEq



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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Ticker: GGD CN	Price / mkt cap: C303c/sh, C\$841m	Group P/NAV today: 0.66x	Asset: L. Ricos / Parral
Author: B Salier	Recommendation: BUY	Price target: C\$4.25/sh	Country: 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
						Esmeralda (not modelled)	14Moz 72g/t	155koz 0.82g/t

Group-level SOTP valuation					
	US\$m	O/ship	NAVx	C\$/sh*	
NPV Parral (3Q21)	172.9	100%	1.0x	0.84	
NPV Los Ricos South (build start)	402.2	100%	0.8x	1.57	
Esmeralda nominal (US\$50/oz Au)	7.8	100%	1.0x	0.04	
Los Ricos North 125Moz @ US\$150/oz	312.5	100%	1.0x	1.53	
NPV central & finance costs	(30.0)	100%	1.0x	(0.15)	
Cash (2Q21)	73.5	100%	1.0x	0.36	
Cash from options	7.2	100%	1.0x	0.04	
1xNAV5% 1Q21 US\$1850/oz	946			4.23	

Share data					
Basic shares (m)	277.7	FD with options (m): 292.3			
Ratio analysis^	CY19A	CY20A	CY21E	CY22E	CY23E
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	651.1	778.4	718.5
FCF margin (%)	-17%	-7%	-41%	-167%	30%
PER (x)	333x	50x	63x	59x	13x
P/CF (x)	0.0x	-	-	-	0.1x
EV/EBITDA (x)	15.4x	7.6x	6.0x	4.9x	1.2x

Group NAV (US\$m)					
	SCP	spot			
	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Group 1xNAV (US\$m)	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz
11% discount	770	789	807	826	845
8% discount	837	859	881	902	924
5% discount	921	946	971	997	1,022
Ungeared project IRR:	51%	53%	55%	57%	59%
	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Group NAV (C\$/sh)*	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz
11% discount	3.51	3.59	3.67	3.74	3.82
8% discount	3.79	3.88	3.96	4.05	4.14
5% discount	4.13	4.23	4.33	4.44	4.54

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
Gross profit, attrib (US\$m)	3.1	15.1	20.9	17.3	85.3
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)
Net income, attrib (US\$m)	1.2	10.2	9.6	11.8	54.4

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

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
Cash flow ops (US\$m)	(7.9)	13.6	18.0	19.8	62.0
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	-	-	-	-
Cash flow inv. (US\$m)	2.5	(16.9)	(40.2)	(101.3)	(2.0)
Share issue (US\$m)	-	54.3	82.0	-	-
Debt draw (repay) (US\$m)	(0.6)	(1.2)	(0.4)	-	-
Cash flow fin. (US\$m)	(0.6)	53.1	81.5	-	-
Net change in cash (US\$m)	(6.0)	49.8	59.4	(81.5)	59.9

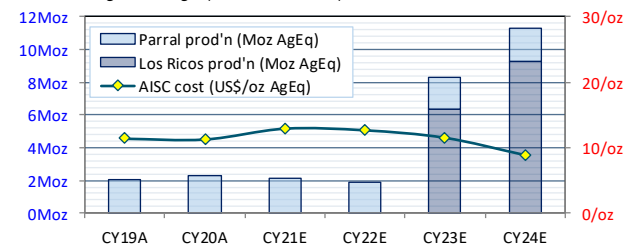
Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity					
NPV at build start (US\$m)					
	-20%	-10%	0% build	10%	20%
-20% chg sustaining capex	423	421	419	417	415
0% chg sustaining capex	406	404	402	400	398
20% chg sustaining capex	389	387	385	383	381

Balance sheet^					
	CY19A	CY20A	CY21E	CY22E	CY23E
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
Total assets (US\$m)	88	192	291	303	363
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
Liabilities + equity (US\$m)	88	192	291	303	363

NPV at build start (US\$m)*					
	-20%	-10%	0% UG	10%	20%
-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

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TENDER:	0
NOT RATED:	0
TOTAL:	45

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