

Ticker: GGD CN

Cash: US\$73m

Project: Los Ricos / Parral

Market cap: C\$841m

Price: C\$3.03/sh

Country: Mexico

RECOMMEND. (unc): BUY

TARGET (unc): C\$4.20/sh

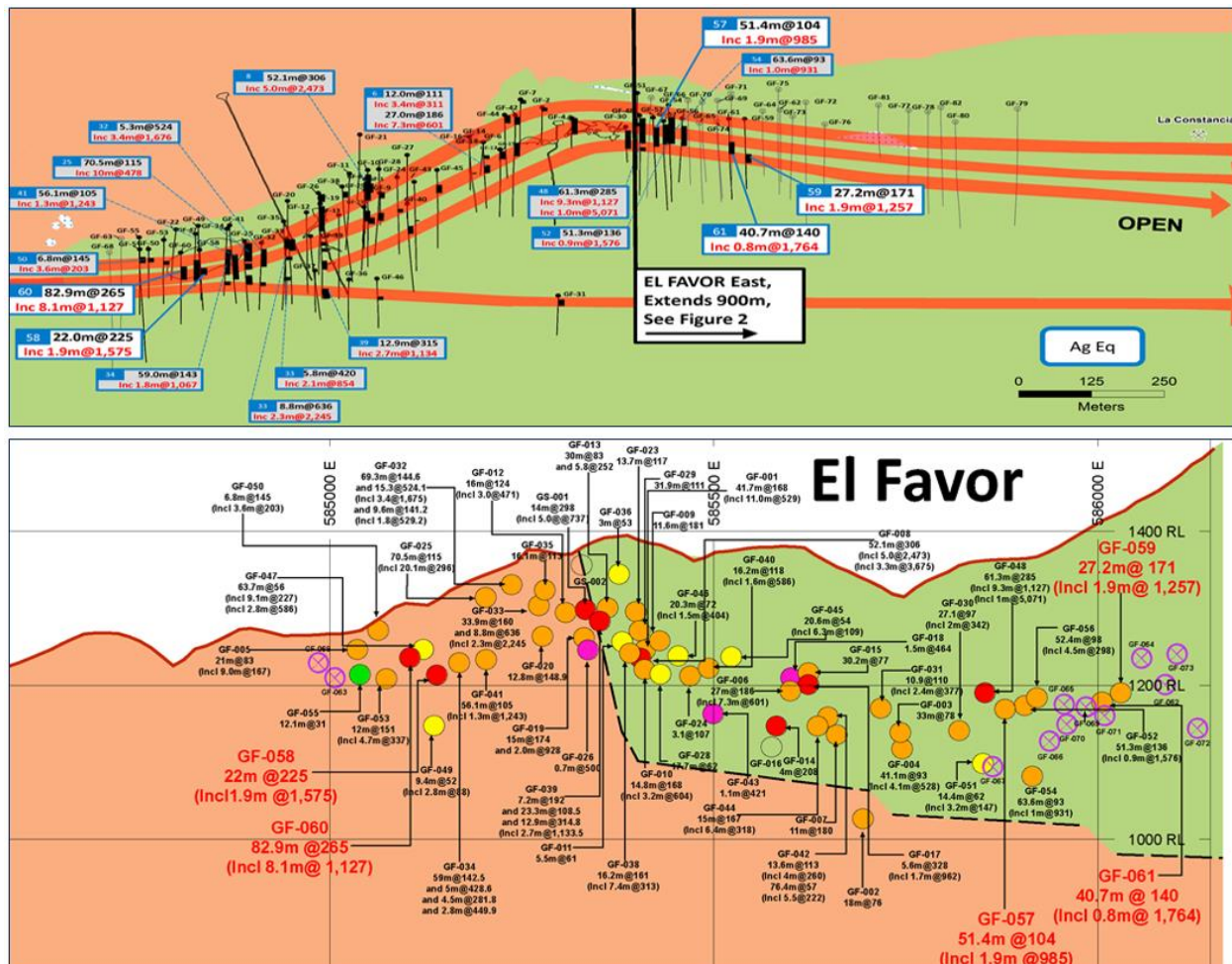
RISK RATING: HIGH

*El Favour is probably our favourite target, La Trini is useful but appears a bit smaller, El Orito is useful but base-metal rich being lower in the system so more for Stage 2 float, and Casados is a mini-Los Ricos South, now adding both bulk and high grade. El Favour has the same high-grade and bulk zones as Casados, as evidenced by today's drilling, but with a very long strike as well. In fact, today's headline result is very close to the western margin of the drilled area. Better still, although not as splashy, 27.2m @ 170g/t released today is 100m further east than the previously most-easterly hole. Figure 1 shows these results, and exactly what happens next: tram the rigs east, east, east, and ~1km from the further drilling lies the old workings at La Constancia. This bodes well for quick resource delineation on this 'sheet'. As such, **we maintain our BUY rating and 0.8xNAV_{5%-1850-24} C\$4.20/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 / El Favour hits 8.1m @ 1,127g/t AgEq in 83m @ 265g/t, strike keeps growing

Highlights from drill holes broadly lying on the fringes of El Favour have returned western-extension hits of 83m @ 265g/t (including 8.1m @ 1127g/t AgEq), and 22m @ 222g/t (including 1.9m @ 1,575g/t). On eastern strike drilling, heading progressively east, highlights include 51m @ 104g/t, 41m @ 140g/t and 27m @ 171g/t (including 0.8-1.9m @ 985-1764g/t AgEq).

Figure 1. Plan and long section showing today's drilling at East and Western extents of El Favour



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 Author: B Salier		Price / mkt cap: C303c/sh, C\$841m Recommendation: BUY		Group P/NAV today: 0.66x Price target: C\$4.2/sh		Asset: L. Ricos / Parral Country: Mexico	
Commodity price		CY19A	CY20A	CY21E	CY22E	CY23E	
Gold price		1,379	1,748	1,792	1,819	1,850	
Silver price		15.8	19.25	25.80	25.50	24.00	
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	1.56		
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	1.52		
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			4.20		
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		3.49	3.56	3.64	3.72	3.79	
8% discount		3.76	3.85	3.94	4.03	4.11	
5% discount		4.10	4.20	4.30	4.41	4.51	
Los Ricos assumptions		Mt	AuEq (g/t AgEq)	g/t AuEq (ko: 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	
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	
<i>AISC = C1 + ug sustaining capex, C3 = AISC + depreciation</i>							
12Moz							
10Moz							
8Moz							
6Moz							
4Moz							
2Moz							
0Moz							
CY19A							
CY20A							
CY21E							
CY22E							
CY23E							
CY24E							
30/oz							
20/oz							
10/oz							
0/oz							
Reserve / mining inventory							
Parral (SCP mine plan)		32Moz	63.3g/t				
Los Ricos (SCPe)		72Moz	189g/t				
Esmeralda (not modelled)		14Moz	72g/t				
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)		335x	50x	64x	60x	13x	
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	
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	
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	
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	

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

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BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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