

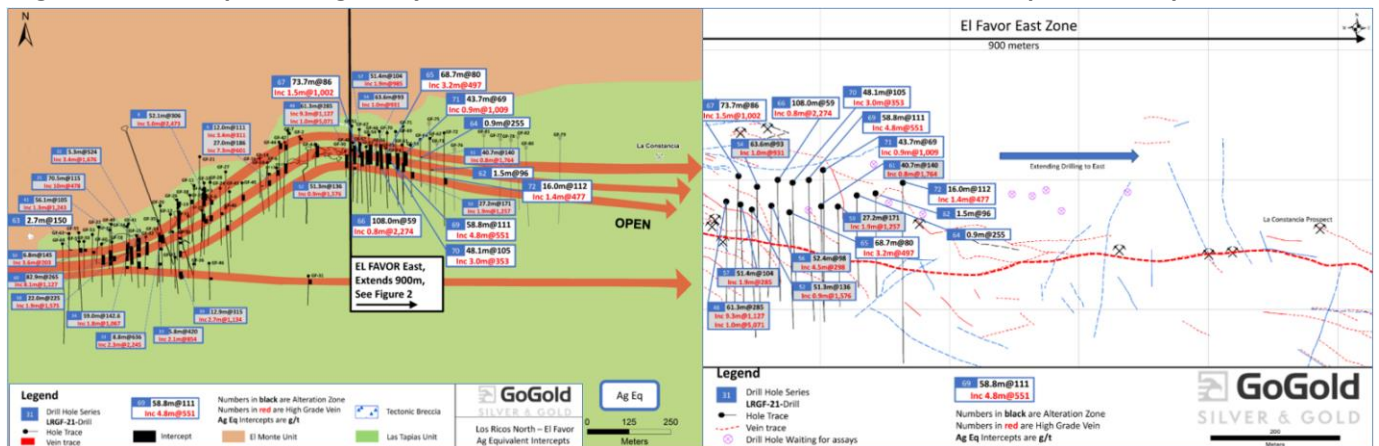
Ticker: GGD CN **Cash:** US\$73m **Project:** Los Ricos / Parral
Market cap: C\$877m **Price:** C\$3.16/sh **Country:** Mexico
RECOMMEND. (unc): BUY **TARGET** (unc): C\$4.20/sh **RISK RATING:** HIGH

Today's 10 holes (14 pierce points) from El Favor are mainly infill on the eastern extents for inclusion into upcoming MRE, with the headline 0.8m @ 2,224g/t within bulk 59m @ 111g/t AgEq. Taking 1,000gm cut-off gives 76m @ 82g/t, so lots of bulk mineralization here. Taking a 100g/t cut-off gives 25m @ 110g/t, a useful subset in our view, for ~50% of the holes. This is a handy 'base load', but would benefit from higher grades. This is where it gets fun - the next 1km tramping the rigs east (Figure 2B) goes over several jogs / flexures/ cross faults along the way, with some old mines. Given the high metal endowment of the system evidenced by today's drilling, we'd expect various 'blow outs' or jewel boxes or shoots along the trend. With the ability to follow up and infill before most seasonal drillers can even get back their summer assays is a key advantage here. Stepping back, the El Favor core is probably our favourite target as it has the same high-grade and bulk zones as Casados, and clearly has a very long strike as well as indicated within recent step outs. 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.

El Favour East extends 300m east in step out ahead of MRE; headlines 0.8m @ 2,224g/t AgEq

GoGold reported the results from 8 new holes drilled at El Favor East headlining **0.8m @ 2,224g/t AgEq** and **58.8m @ 111g/t AgEq, 48.1m @ 105g/t AgEq** and **0.9m @ 1,009g/t AgEq** within broader **43.7m @ 69g/t AgEq** all <160m downhole. A step out to the east extended mineralization another 300m with 1.5m @ 113.3g/t and 16m @ 111.8g/t AgEq including 1.4m @ 477.4g/t AgEq. Lastly, one shallow hole drilled at El Favor returned 16.3m @ 47.9g/t AgEq including 2.7m @ 150.3g/t AgEq from the western fringe.

Figure 1. Plan map showing today's holes at East and Western extents of El Favor + planned step outs



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: C316c/sh, C\$877m	Group P/NAV today: 0.69x	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	1,792	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

Group-level SOTP valuation	US\$m	O/ship	NAVx	C\$/sh*	Share data
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NPV Parral (3Q21)	172.9	100%	1.0x	0.84	Basic shares (m)	277.7	FD with options (m):	292.3		
NPV Los Ricos South (build start)	402.2	100%	0.8x	1.56	Ratio analysis^	CY19A	CY20A	CY21E	CY22E	CY23E
Esmeralda nominal (US\$50/oz Au)	7.8	100%	1.0x	0.04	Average shares out (m)	186.9	240.2	288.1	329.7	329.7
Los Ricos North 125Moz @ US\$150/oz	312.5	100%	1.0x	1.52	EPS (USc/sh)	0.6	4.3	3.3	3.6	16.5
NPV central & finance costs	(30.0)	100%	1.0x	(0.15)	CFPS before w/c (USc/sh)	4	(1)	(7)	(25)	22
Cash (2Q21)	73.5	100%	1.0x	0.36	EV (US\$m)	91.3	514.8	683.7	813.0	753.1
Cash from options	7.2	100%	1.0x	0.04	FCF margin (%)	-17%	-7%	-41%	-167%	30%

1xNAV5% 1Q21 US\$1850/oz	946			4.20	PER (x)	349x	52x	67x	62x	14x
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Group NAV (US\$m)	SCP	spot	Au: \$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
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Group 1xNAV (US\$m)	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Income statement^	CY19A	CY20A	CY21E	CY22E	CY23E
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11% discount	770	789	807	826	845	Revenue, attrib (US\$m)	32.4	44.2	53.7	48.7	200.7
8% discount	837	859	881	902	924	COGS, attrib (US\$m)	23.1	25.5	26.8	24.1	95.3
5% discount	921	946	971	997	1,022	D&A, attrib (US\$m)	5.9	3.6	6.0	7.3	20.1
Ungeared project IRR:	51%	53%	55%	57%	59%	Gross profit, attrib (US\$m)	3.1	15.1	20.9	17.3	85.3

Group NAV (C\$/sh)*	Ag: \$23.0oz	\$24.0oz	\$25.0oz	\$26.0oz	\$27.0oz	Admin (US\$m)	(4.6)	(4.9)	(5.7)	(3.8)	(3.8)
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11% discount	3.49	3.56	3.64	3.72	3.79	Finance cost (US\$m)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)
8% discount	3.76	3.85	3.94	4.03	4.11	Expln, royalty, forex (US\$m)	(0.8)	(1.0)	(1.0)	-	-
5% discount	4.10	4.20	4.30	4.41	4.51	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 (ko: AgEq)	Moz	Cash flow^	CY19A	CY20A	CY21E	CY22E	CY23E
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NI43-101 pit resource (M&I&I)	12.1	2.13	186	829	73	EBITDA (US\$m)	5.9	12.0	15.1	18.6	73.9
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)	1.2	(12.5)
SCPe pit inventory	11.0	2.05	180	720	63	Less finance costs (US\$m)	(0.2)	(0.2)	(0.0)	(0.0)	(0.0)
SCPe UG inventory	0.9	1.16	296	96	8	Less tax paid (US\$m)	-	-	(1.1)	(1.7)	(27.1)

Los Ricos NPV @ 3Q21 build start^ capex and opex sensitivity	NPV at build start (US\$m)	-20%	-10%	0% build	10%	20%	Cash flow ops (US\$m)	(7.9)	13.6	18.0	19.8	62.0
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-20% chg sustaining capex	423	421	419	417	415	PP&E - build (US\$m)	(3.0)	(1.0)	(28.0)	(101.3)	(2.0)
0% chg sustaining capex	406	404	402	400	398	Exploration (US\$m)	(4.2)	(15.9)	(12.2)	-	-
20% chg sustaining capex	389	387	385	383	381	Asset sales (US\$m)	9.6	-	-	-	-

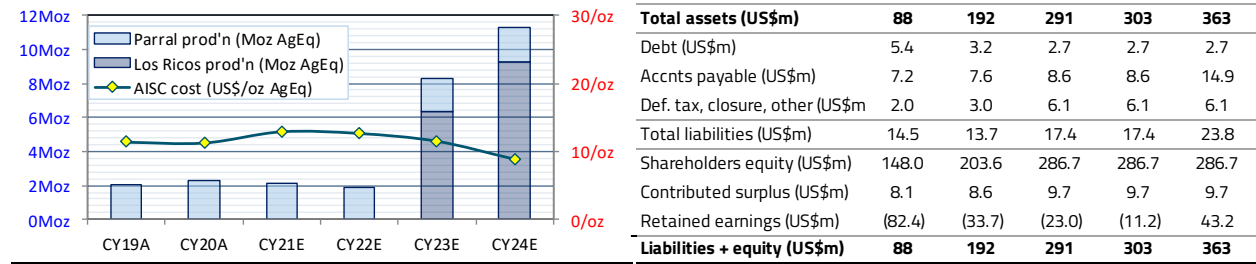
NPV at build start (US\$m)*	-20%	-10%	0% UG	10%	20%	Cash flow inv. (US\$m)	2.5	(16.9)	(40.2)	(101.3)	(2.0)
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-20% chg pit \$/t	434	424	414	404	394	Share issue (US\$m)	-	54.3	82.0	-	-
0% chg pit \$/t	422	412	402	392	382	Debt draw (repay) (US\$m)	(0.6)	(1.2)	(0.4)	-	-
20% chg pit \$/t	410	400	390	380	370	Cash flow fin. (US\$m)	(0.6)	53.1	81.5	-	-

Production (Y1 from 3Q20)	CY19A	CY20A	CY21E	CY22E	CY23E	Net change in cash (US\$m)	(6.0)	49.8	59.4	(81.5)	59.9
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Parral prod'n (Moz AgEq)	2.0	2.3	2.1	1.9	1.9	Balance sheet^	CY19A	CY20A	CY21E	CY22E	CY23E
Los Ricos prod'n (Moz AgEq)	-	-	-	-	6.4	Cash (US\$m)	5.0	56.4	111.5	30.0	89.9
C1 cost (US\$/oz AgEq)	11.33	11.21	12.88	12.63	11.47	Acc rec. + inv. (US\$m)	29.9	31.2	34.2	33.5	52.3
AISC cost (US\$/oz AgEq)	13.92	13.56	15.92	15.22	13.35	PPE (US\$m)	27.0	64.4	86.2	180.2	162.1
C3 cost (US\$/oz AgEq)	15.48	14.33	17.18	16.83	16.81	Exploration (US\$m)	14.4	26.7	43.6	43.6	43.6

AISC = C1 + ug sustaining capex, C3 = AISC + depreciation	Others (US\$m)	12.0	13.5	15.3	15.3	15.3
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Source: SCP estimates; *diluted for options, but not for Los Ricos mine build; ^excludes Los Ricos

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

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