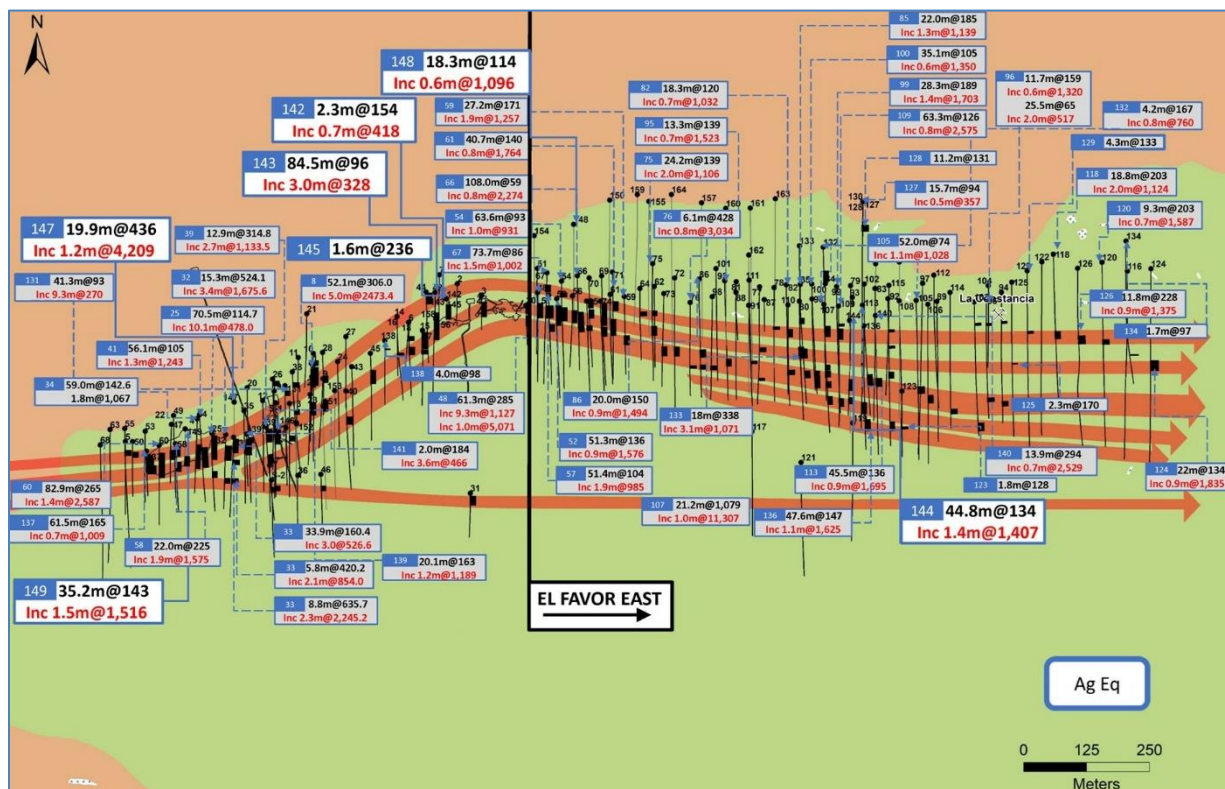


**Ticker:** GGD CN      **3Q22 cash:** US\$73m      **Project:** Los Ricos / Parral  
**Market cap:** C\$733m      **Price:** C\$2.48/sh      **Country:** Mexico  
**REC. (unc):** BUY      **TARGET (unc):** C\$3.00/sh      **RISK RATING (unc):** HIGH

Today's El Favor drilling show two things – some of the best tenor to date, and / because a pivot from growth / step-out to the east, to infilling / focusing on core mine area close to surface to the west. As such, we see more of the 'old' El Favor, thick near-surface hits with grades in the mid 100s, just shy of the high 100s at flagship Los Ricos South. Similarly, the strategy is 'market appropriate' in our view – the company quickly completed both greenfield discovery drilling, and now (this is last year's drilling) the infill to support an MRE. Thus, going into softer ECM markets now with an MRE and PEA upcoming for 'project 2' (Los Ricos South is flagship) couldn't be timed better. In detail, we see a high hit rate (eight holes: 15 intercepts) highlighting good continuity of resource across the now >2,200m strike averaging 15.7m @ 151g/t AgEq (or 15.4m @ 124g/t AgEq excluding highlight hole, 27.0m @ 150g/t for top eight hits) for all hits today, above the grade of the existing 72.8Moz @ 113g/t AgEq resource. As such, we **maintain our BUY rating and our 0.7xNAV<sub>5%</sub> C\$3.00/sh PT**. With Parral production 'steady as she goes' heading into its 9<sup>th</sup> year with options to add new dumps, advanced exploration ongoing at Los Ricos (incl. high-grade 'Eagle' extensions at LRS and El Favor East at LRN), coupled with ongoing silver price momentum, we think GoGold is an excellent play for CY23. Specific catalysts, outside a silver price rise, include Los Ricos South drilling to drive a 1H23 MRE the PEA update, 1H23 UG development start, 2H23 PFS, as well as a PEA on Los Ricos North scheduled next, all of which (ex the PFS) could fall in the first half of the year.

Figure 1. Los Ricos North – El Favor plan map showing today's hits



Source: GoGold

## El Favor drilling continues to hit broad high grade ahead of 1H23 PEA; 1.2m @ 4,209g/t AgEq

Reports results from eight infill diamond drill holes at Los Ricos North 'El Favor Deposit' with bulk highlight hits to the west of **19.9m @ 436g/t AgEq** (incl. 1.2m @ 4,209g/t AgEq) from El Favor-Salomon and **35.2m @ 143g/t AgEq** (incl. 1.5m @ 1,516g/t AgEq) from El Favor. Additional drilling to the east hit **44.8m @ 134g/t AgEq** (incl. 1.4m @ 1,407g/t AgEq) from El Favor East. Results will be incorporated in a 1H23 PEA.

## 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 South an easily mineable open pit, on a single vein, that can start with UG
- 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

- 1H23: Los Ricos South – drilling on northern 'Eagle' extension
- 1H23: Los Ricos South – MRE and PEA update to include Eagle
- 1H23: Los Ricos South – commence UG development
- 1H23: Los Ricos North – PEA
- 2H23: Los Ricos South - PFS

## Research

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<b>Ticker:</b> GGD CN	<b>Price / mkt cap:</b> C\$2.48/sh, C\$733m	<b>Group P/NAV today:</b> 0.60x	<b>Asset:</b> L. Ricos / Parral
<b>Author:</b> B Sailer / E Magdzinski	<b>Recommendation:</b> BUY	<b>Price target:</b> C\$3.00/sh	<b>Country:</b> Mexico

Commodity price	CY20A	CY21A	CY22E	CY23E	CY24E	Reserve / mining inventory	Ag Eq	Au Eq
Gold price	1,748	1,785	1,812	1,823	1,747	Parral (SCP mine plan)	32Moz 63.3g/t	358koz 0.00g/t
Silver price	19.25	24.03	21.84	22.96	21.14	Los Ricos South (SCPe)	72Moz 189g/t	816koz 2.14g/t
						Esmeralda (not modelled)	14Moz 72g/t	155koz 0.82g/t
						Los Ricos North (SCPe)	100Moz 150g/t	1,297koz 1.95g/t

### Group-level SOTP valuation

	US\$m	O/ship	NAVx	C\$/sh*
NPV Parral (1Q23)	65	100%	1.0x	0.28
NPV Los Ricos <b>South</b> (build start)	<b>296</b>	100%	<b>0.7x</b>	0.90
Esmeralda nominal (US\$50/oz Au)	8	100%	1.0x	0.03
NPV Los Ricos <b>North</b> (build start)	<b>408</b>	100%	<b>0.4x</b>	0.71
LRN res ex inv. (US\$2.50/oz Ag)	153	100%	1.0x	0.66
NPV central & finance costs	(50)	100%	1.0x	(0.22)
SCPe cash 4Q22	65	100%	1.0x	0.28
Cash from options	7	100%	1.0x	0.03

**1xNAV5% 1Q23 US\$1700/oz** **951** **2.67**

Group NAV (US\$m)	Spot	SCP	Au: \$1500oz \$1600oz \$1700oz \$1800oz \$1900oz		
<b>Group 1xNAV (US\$m)</b>	<b>Ag: \$15.0oz</b>	<b>\$17.5oz</b>	<b>\$20.0oz</b>	<b>\$22.5oz</b>	<b>\$25.0oz</b>

11% discount	498	605	713	821	928
8% discount	573	696	820	943	1,066
5% discount	666	808	<b>951</b>	1,093	1,236
Ungeared project IRR:	32%	37%	42%	47%	52%

**Group NAV (C\$/sh)\*** Au: \$1500oz \$1600oz \$1700oz \$1800oz \$1900oz

	Ag: \$15.0oz	\$17.5oz	\$20.0oz	\$22.5oz	\$25.0oz
11% discount	1.63	1.87	2.11	2.36	2.60
8% discount	1.80	2.08	2.36	2.65	2.93
5% discount	2.02	2.35	<b>2.67</b>	3.00	3.32

Los Ricos South assumptions	Mt	AuEq (g/AgEq (g/ AuEq (ko AgEq(Mo	
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 LRS pit inventory	11.0	2.05	180 720 63
SCPe LRS UG inventory	0.9	1.16	296 96 8

### Project NPV @ 3Q23 build start

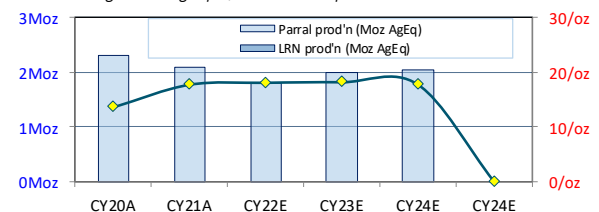
	Spot	SCP	Au: \$1500oz \$1600oz \$1700oz \$1800oz \$1900oz		
<b>LRS NPV bld start (US\$m) Ag:</b>	<b>\$15.0oz</b>	<b>\$17.5oz</b>	<b>\$20.0oz</b>	<b>\$22.5oz</b>	<b>\$25.0oz</b>
11% discount	120	157	193	230	266
8% discount	155	197	239	282	324
5% discount	197	247	<b>296</b>	346	396

**LRN NPV bld start (US\$m) Ag:** \$15.0oz \$17.5oz \$20.0oz \$22.5oz \$25.0oz

11% discount	143	211	278	345	413
8% discount	184	260	336	413	489
5% discount	233	320	<b>408</b>	495	583

Production (Y1 from 3Q20)	CY20A	CY21A	CY22E	CY23E	CY24E
Parral prod'n (Moz AgEq)	2.3	2.1	1.8	2.0	2.0
LRS prod'n (Moz AgEq)	-	-	-	-	-
LRN prod'n (Moz AgEq)	-	-	-	-	-
C1 cost (US\$/oz AgEq)	11.21	13.46	13.90	13.67	13.38
AISC cost (US\$/oz AgEq)	13.58	17.72	18.08	18.18	17.79
C3 cost (US\$/oz AgEq)	14.48	18.29	19.03	19.09	18.88

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



Source: SCP estimates; \*diluted for options, but not for Los Ricos mine build(s)

### Share data

Basic shares (m) 295.7 FD with options (m): 309.8

### Ratio analysis^

	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	240.0	283.1	303.8	323.8	347.3
EPS (USc/sh)	4.3	3.5	(1.9)	0.8	(0.1)
CFPS before w/c (USc/sh)	(1)	(4)	(5)	(17)	(62)
EV (US\$m)	513.5	529.8	528.2	601.2	811.7
FCF margin (%)	-7%	-48%	-64%	-134%	-488%
PER (x)	43x	53x	-	245x	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	42.9x	79.5x	(226.7)	72.8x	139.2x

### Income statement^

	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue, attrib (US\$m)	44.2	48.0	35.8	45.9	43.1
COGS, attrib (US\$m)	25.5	26.6	24.4	27.3	27.3
D&A, attrib (US\$m)	3.6	5.0	4.7	7.2	7.5

### Gross profit, attrib (US\$m)

Admin (US\$m)	(4.9)	(7.9)	(8.5)	(7.8)	(7.8)
Finance cost (US\$m)	(0.2)	(0.1)	5.2	(0.1)	(0.1)
Expln, royalty, forex (US\$m)	(1.0)	0.2	5.2	-	-
Tax (US\$m)	-	-	(2.5)	(1.1)	(0.8)

### Net income, attrib (US\$m)

<b>Net income, attrib (US\$m)</b>	<b>10.3</b>	<b>9.8</b>	<b>(5.8)</b>	<b>2.4</b>	<b>(0.3)</b>
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### Cash flow^

	CY20A	CY21A	CY22E	CY23E	CY24E
EBITDA (US\$m)	<b>12.0</b>	<b>6.7</b>	<b>(2.3)</b>	<b>8.3</b>	<b>5.8</b>
Less working Δ capital (US\$r)	(0.5)	(11.6)	(13.1)	(3.8)	3.7
Less finance costs (US\$m)	(0.2)	(0.1)	5.2	(0.1)	(0.1)
Less tax paid (US\$m)	-	-	(2.5)	(1.1)	(0.8)
Add back other (US\$m)	2.6	1.4	13.8	2.5	2.2

### Cash flow ops (US\$m)

<b>Cash flow ops (US\$m)</b>	<b>13.9</b>	<b>(3.7)</b>	<b>1.0</b>	<b>5.8</b>	<b>10.9</b>
PP&E - build (US\$m)	(1.0)	(0.6)	(0.4)	(56.2)	(221.3)
Exploration (US\$m)	(15.9)	(18.8)	(23.4)	(11.1)	-
Asset sales (US\$m)	-	-	-	-	-

### Cash flow inv. (US\$m)

<b>Cash flow inv. (US\$m)</b>	<b>(16.9)</b>	<b>(19.4)</b>	<b>(23.8)</b>	<b>(67.4)</b>	<b>(221.3)</b>
Share issue (US\$m)	54.3	22.6	33.5	60.0	-
Debt draw (repay) (US\$m)	(1.2)	(2.1)	(1.1)	-	-

### Cash flow fin. (US\$m)

<b>Cash flow fin. (US\$m)</b>	<b>53.1</b>	<b>20.5</b>	<b>32.4</b>	<b>60.0</b>	<b>-</b>
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### Balance sheet^

	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (US\$m)	56.4	55.8	64.9	63.4	(147.0)
Acc rec. + inv. (US\$m)	31.2	44.3	52.7	55.0	51.3
PPE (US\$m)	64.4	54.0	52.1	101.2	315.0
Exploration (US\$m)	26.7	51.9	78.9	90.0	90.0
Others (US\$m)	13.5	17.8	14.7	14.7	14.7

### Total assets (US\$m)

<b>Total assets (US\$m)</b>	<b>192</b>	<b>224</b>	<b>263</b>	<b>324</b>	<b>324</b>
Debt (US\$m)	3.2	1.6	2.5	2.5	2.5
Accts payable (US\$m)	7.6	9.3	8.2	6.8	6.8
Def. tax, closure, other (US\$m)	3.0	5.8	14.0	14.0	14.0
Total liabilities (US\$m)	13.7	16.6	24.7	23.2	23.2

### Shareholders equity (US\$m)

<b>Shareholders equity (US\$m)</b>	<b>203.6</b>	<b>228.3</b>	<b>264.0</b>	<b>324.0</b>	<b>324.0</b>
Contributed surplus (US\$m)	8.6	10.8	12.1	12.1	12.1
Retained earnings (US\$m)	(33.7)	(31.8)	(37.6)	(35.2)	(35.5)
<b>Liabilities + equity (US\$m)</b>	<b>192</b>	<b>224</b>	<b>263</b>	<b>324</b>	<b>324</b>

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**NEUTRAL:** The stock's total returns are expected to be in line with the overall market

**SELL:** The stocks total returns are expected to be materially lower than the overall market

**TENDER:** The analyst recommends tendering shares to a formal tender offering

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**NOT RATED ((N/R):** The stock is not currently rated

**NOT RATED ((N/R):** The stock is not currently rated

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HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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