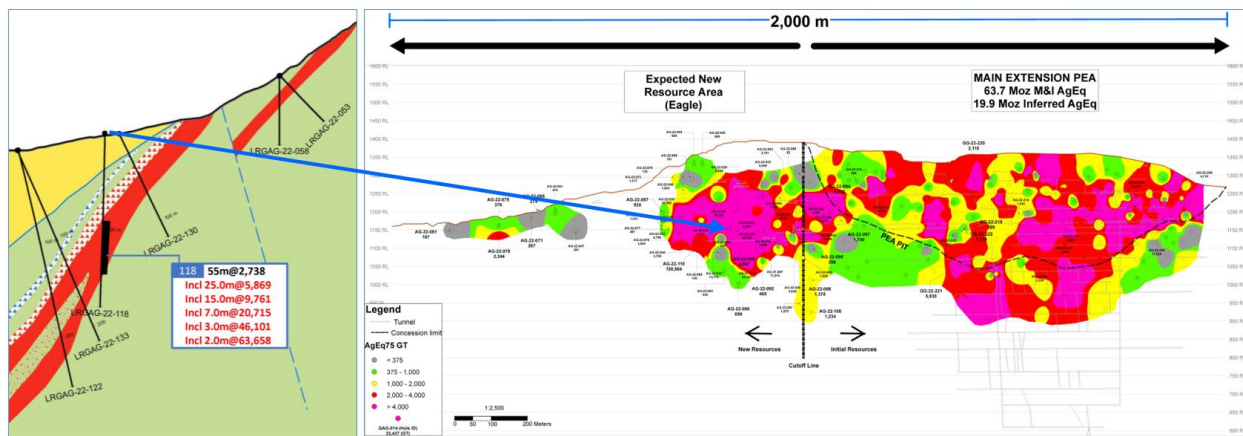


**Ticker:** GGD CN      **3Q22 cash:** US\$73m      **Project:** Los Ricos / Parral  
**Market cap:** C\$736m      **Price:** C\$2.49/sh      **Country:** Mexico  
**REC. (unc):** BUY      **TARGET (+40c):** C\$3.40/sh      **RISK RATING (unc):** HIGH

Los Ricos South drilling continues to point towards step-changing value generation ahead of this year's MRE/PEA update with today's Eagle Zone hitting a truly remarkable 55m multi-kilogram AgEq hit (slightly lower on true-width given vertical hole) carried by a super-bonanza 7m @ 20,714g/t core. While core grades support UG mining, 48m halo at 116g/t AgEq is not too shabby either for potential pit optionality, segueing nicely into any accelerated permitting plan. Key here is i) Eagle is like Los Ricos South but without the mined-out core, hence jewel boxes like this are still there for the picking, and ii) the high-grade north-plunging shoot appears is already looking like 'half again' vs. the Main Zone, before the deeper boiling zone at Main Zone, or further shallow repeats to the north, are even considered. Main infill drilling is defining nice high-grade (average 14m @ 175g/t AgEq) today as well, likely with low-strip areas to further improve project economics. For now, we add 40Moz (or approximately half of existing LRS Main) at US\$2.50/oz Ag to account for Eagle and other infill west of existing PEA pit and **maintain our BUY rating and 0.7xNAV<sub>5%</sub> multiple but lift our price target from C\$3.00/sh to C\$3.40**. Outside of a silver price rise, upcoming catalysts include more Los Ricos South drilling, 1H23 MRE / PEA update, 1H23 UG development start, and 2H23 PFS, as well as a maiden PEA at Los Ricos North. Thereafter these should underpin permitting, where hits like today talk to a quick-start UG operation, meaning that GGD in 12M should be significantly de-risked compared to now, opening the door to M&A in our view also.

**Figure 1. (A) x-section of today's Eagle hit and (B) long-section of LRS (Eagle and Main Zone) drilling**



Source: GoGold

## LRS Eagle just gets better with 55m @ 2.7kg/t AgEq (incl. 7m @ 20.7kg/t AgEq)

Reports results from 14 diamond drill holes (4 Main Zone / 10 Eagle Zone) at Los Ricos South with bulk highlight hits at new Eagle Zone of 55.0m @ 2,738g/t AgEq (incl. 7.0m @ 20,714g/t AgEq), 18.2m @ 249g/t AgEq (incl. 10.0m @ 414g/t AgEq), and 66.8m @ 73.5g/t AgEq (incl. 9.1m @ 238g/t AgEq). Additional infill at Main Zone hit 29.4m @ 202g/t AgEq (incl. 4.4m @ 1,122g/t AgEq), 15.6m @ 136g/t AgEq (incl. 3.4m @ 257g/t AgEq), and 6.7m @ 176g/t AgEq (incl. 0.6m @ 1,162g/t AgEq).

## 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\$2.49/sh, C\$736m	<b>Group P/NAV today:</b> 0.55x	<b>Asset:</b> L. Ricos / Parral
<b>Author:</b> B Sailer / E Magdzinski	<b>Recommendation:</b> BUY	<b>Price target:</b> C\$3.40/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

### Group-level SOTP valuation

	US\$m	O/ship	NAVx	C\$/sh*
NPV Parral (1Q23)	65	100%	1.0x	0.28
NPV Los Ricos South (build start)	296	100%	0.7x	0.90
LRS nominal 40Moz @ US\$2.5/oz Ag	100	100%	1.0x	0.43
NPV Los Ricos North (build start)	408	100%	0.4x	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)
Cash 3Q22	73	100%	1.0x	0.32
Cash from options	7	100%	1.0x	0.03

**1xNAV5% 1Q23 US\$1700/oz** **1,051** **3.11**

### 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	599	706	814	921	1,029
8% discount	674	797	920	1,044	1,167
5% discount	767	909	1,051	1,194	1,336
Ungeared project IRR:	32%	37%	42%	47%	52%

Au: \$1500oz \$1600oz \$1700oz \$1800oz \$1900oz

### Group NAV (C\$/sh)\*

	Ag: \$15.0oz	\$17.5oz	\$20.0oz	\$22.5oz	\$25.0oz
11% discount	2.06	2.31	2.55	2.79	3.04
8% discount	2.24	2.52	2.80	3.08	3.36
5% discount	2.46	2.78	3.11	3.43	3.76

### 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

Au: \$1500oz \$1600oz \$1700oz \$1800oz \$1900oz

### LRS NPV bld start (US\$m) Ag: \$15.0oz

	\$17.5oz	\$20.0oz	\$22.5oz	\$25.0oz	
11% discount	120	157	193	230	266
8% discount	155	197	239	282	324
5% discount	197	247	296	346	396

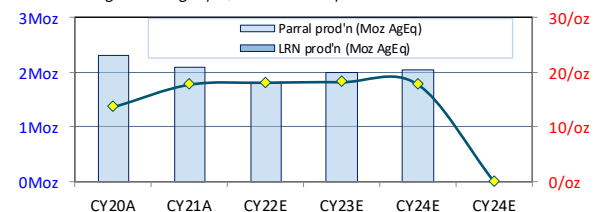
### LRN NPV bld start (US\$m) Ag: \$15.0oz

	\$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	408	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)	FD with options (m):	Au Eq
	295.7	309.8	

### Ratio analysis^

	CY20A	CY21A	CY22E	CY23E	CY24E
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### Income statement^

	CY20A	CY21A	CY22E	CY23E	CY24E
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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) 513.5 532.1 530.6 603.9 814.3

FCF margin (%) -7% -48% -64% -134% -488%

PER (x) 43x 53x - 246x -

P/CF (x) - - - - -

EV/EBITDA (x) 42.9x 79.9x (227.7) 73.2x 139.7x

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

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

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) 10.3 9.8 (5.8) 2.4 (0.3)**

### Cash flow^

EBITDA (US\$m) 12.0 6.7 (2.3) 8.3 5.8

Less working Δ capital (US\$m) (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) 13.9 (3.7) 1.0 5.8 10.9**

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) (16.9) (19.4) (23.8) (67.4) (221.3)**

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) 53.1 20.5 32.4 60.0 -**

Net change in cash (US\$m) 50.0 (2.7) 9.7 (1.5) (210.4)

### Balance sheet^

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) 192 224 263 324 324**

Debt (US\$m) 3.2 1.6 2.5 2.5 2.5

Accnts 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) 203.6 228.3 264.0 324.0 324.0

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)

**Liabilities + equity (US\$m) 192 224 263 324 324**

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

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

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