

Ticker: GGD CN

Pro forma cash: US\$109m

Project: Los Ricos / Parral

Market cap: C\$683m

Price: C\$2.10/sh

Country: Mexico

REC. (unc): BUY

TARGET (+0.20): C\$3.60/sh

RISK RATING (unc): HIGH

Parral 4Q22 cash costs and AISC trend lower QoQ, ~US\$109m pro-forma cash

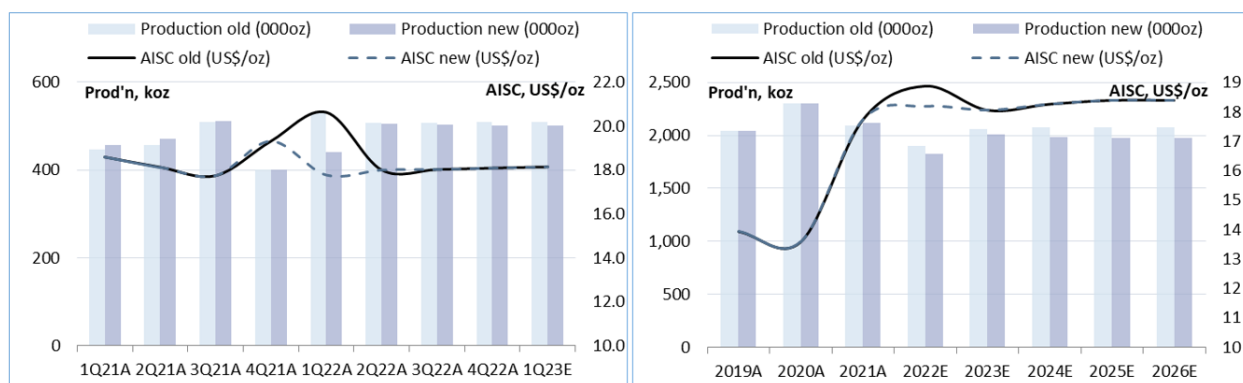
Following pre-reported production of 441koz AgEq (160koz Ag, 2.4koz Au, 222t Cu) revenue today of US\$8.5m is a US\$2m miss on our estimate on adjustments and receivables. Although AISC of US\$17.8/oz was a 8% drop QoQ and a beat on our US\$20.6/oz forecast (with C1 costs down 5% to US\$12.90), leading to US\$63m quarter-end cash, US\$4m under our forecast on slightly higher concession spend, tax, and working capital movement. Post quarter-end financing leaves a healthy pro forma ~US\$109m cash to accelerate Los Ricos south drilling and development. Updating our LT prices from US\$1,700/oz to US\$1,850/oz Au and US\$20/oz to US\$24/oz Ag (previously research restricted), we **maintain our BUY rating and 0.7xNAV_{5%} multiple but lift our price target from C\$3.40/sh to C\$3.60/sh** 60c/sh added from the stronger price deck more than offsets the 40c/sh from equity dilution. Looking forward, we expect the 1H23 MRE / PEA update (incl. Eagle), 1H23 UG development start, and 2H23 PFS at Los Ricos South to drive share price momentum, plus maiden PEA at Los Ricos North. Thereafter these should underpin permitting, which we think could see a quick-start UG operation, meaning that GGD in 12M should be significantly de-risked compared to now, potentially opening the door to M&A too.

Table 1. Financial and operational (A) metrics against prior quarter and SCP estimates (B) forecasts

Financials	3Q22A	4Q22E	4Q22A	QoQ	vs. SCPe	Operations	3Q22A	4Q22E	4Q22A	QoQ	vs. SCPe
Revenue (US\$m)	6.5	8.3	8.5	31%	2%	Group AgEq produced (koz)*	400.5	532.0	441.2	10%	-17%
Parral C1 (US\$/oz)	13.5	15.5	12.9	-5%	-17%	Group AISC (US\$/oz)	19.3	20.6	17.8	-8%	-14%
Group AISC (US\$/oz)	19.30	20.61	17.76	-8%	-14%	Parral ore stacked (000t)	368	400	352	-4%	-12%
Cash flow from ops. (US\$m)*	6.5	-0.8	-4.2	165%	461%	Copper production (tons)	82	100	187	128%	87%
EBITDA (US\$m)	(3.7)	(0.8)	(2.7)	26%	255%	Parral C1 (US\$/oz)	13.5	15.5	12.9	-5%	-17%
Net cash at end (US\$m)	73.3	66.7	62.6	-15%	-6%						

Source: SCP estimates, company data, *at quarterly metal price averages

Source: SCP estimates, *after working capital else +US\$4m



Source: SCP estimates

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

Brock Salier (London) M: +44 7400 666 913 bsalier@sprott.com

Eleanor Magdzinski (Toronto) M: +1 705 669 7456 emagdzinski@sprott.com

Konstantinos Kormpis (Toronto) M: +1 778-957-3623 kkormpis@sprott.com

Ticker: GGD CN	Price / mkt cap: C\$2.1/sh, C\$683m	Group P/NAV today: 0.39x	Asset: L. Ricos / Parral
Author: B Salier / E Magdzinski	Recommendation: BUY	Price target: C\$3.60/sh	Country: Mexico

Commodity price	CY20A	CY21A	CY22E	CY23E	CY24E	Reserve / mining inventory	Ag Eq	Au Eq
Gold price	1,771	1,788	1,759	1,911	1,873	Parral (SCP mine plan)	32Moz 63.3g/t	358koz 0.00g/t
Silver price	21.02	22.50	20.09	23.80	23.92	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)	91	100%	1.0x	0.36	
NPV Los Ricos South (build start)	402	100%	0.7x	1.10	
LRS nominal 40Moz @ US\$2.5/oz Ag	100	100%	1.0x	0.39	
NPV Los Ricos North (build start)	565	100%	0.4x	0.88	
LRN res ex inv. @ US\$2.50/oz Ag	153	100%	1.0x	0.60	
NPV central & finance costs	(50)	100%	1.0x	(0.20)	
Cash 4Q22 + raise	109	100%	1.0x	0.43	
Cash from options	10	100%	1.0x	0.04	
1xNAV5% 1Q23 US\$1850/oz	1,379			3.60	

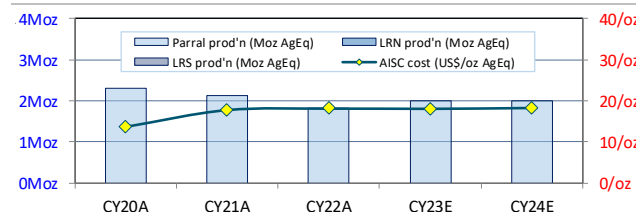
Group NAV (US\$m)	Spot				
	Au: \$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Group 1xNAV (US\$m)	Ag: \$20.0oz	\$22.0oz	\$24.0oz	\$26.0oz	\$28.0oz
11% discount	901	988	1,076	1,163	1,250
8% discount	1,013	1,113	1,213	1,313	1,413
5% discount	1,151	1,266	1,382	1,497	1,612
Ungeared project IRR:	45%	49%	53%	57%	60%

Group NAV (C\$/sh)*	Spot				
	Au: \$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Group NAV (C\$/sh)*	Ag: \$20.0oz	\$22.0oz	\$24.0oz	\$26.0oz	\$28.0oz
11% discount	2.60	2.78	2.96	3.13	3.31
8% discount	2.84	3.04	3.25	3.45	3.66
5% discount	3.13	3.37	3.61	3.85	4.09

Los Ricos South 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 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: \$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
LRS NPV bld start (US\$m)	Ag: \$20.0oz	\$22.0oz	\$24.0oz	\$26.0oz	\$28.0oz
11% discount	212	241	271	301	330
8% discount	261	295	329	364	398
5% discount	322	362	402	442	483
LRN NPV bld start (US\$m)	Ag: \$20.0oz	\$22.0oz	\$24.0oz	\$26.0oz	\$28.0oz
11% discount	290	345	399	453	507
8% discount	350	412	474	535	597
5% discount	424	494	565	635	706

Production (Y1 from 3Q20)					
	CY20A	CY21A	CY22A	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)	11.22	13.47	13.24	13.58	13.73
AISC cost (US\$/oz AgEq)	13.58	17.74	18.10	18.05	18.26
C3 cost (US\$/oz AgEq)	14.49	18.23	19.07	19.03	19.23



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

Share data					
Basic shares (m)	325.3	FD with options (m):	341.1		

Ratio analysis^					
	CY20A	CY21A	CY22E	CY23E	CY24E
Average shares out (m)	240.7	284.4	305.2	351.5	378.6
EPS (USc/sh)	5.2	3.7	(2.0)	1.1	0.9
CFPS before w/c (USc/sh)	(0)	(4)	(5)	(15)	(55)
EV (US\$m)	517.2	443.3	440.0	479.4	689.7
FCF margin (%)	-2%	-48%	-70%	-126%	-442%
PER (x)	30x	42x	-	141x	167x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	36.5x	66.5x	(97.6)	47.4x	70.0x

Income statement^					
	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue, attrib (US\$m)	46.4	48.0	35.7	47.9	47.6
COGS, attrib (US\$m)	25.5	26.6	22.9	27.3	27.3
D&A, attrib (US\$m)	3.6	5.0	4.0	7.5	7.6
Gross profit, attrib (US\$m)	17.3	16.3	2.6	13.0	201.2

Admin (US\$m)	(4.9)	(7.9)	(8.5)	(7.8)	(7.8)
Finance cost (US\$m)	(0.2)	(0.1)	5.6	(0.1)	(0.1)
Expln, royalty, forex (US\$m)	(1.0)	0.2	4.7	-	-
Tax (US\$m)	-	-	(4.4)	(1.3)	(1.2)
Net income, attrib (US\$m)	12.4	10.6	(6.2)	3.9	3.6

Cash flow^					
	CY20A	CY21A	CY22E	CY23E	CY24E
EBITDA (US\$m)	14.2	6.7	(4.5)	10.1	9.9
Less working Δ capital (US\$)	(0.5)	(11.6)	(15.4)	(2.8)	(0.2)
Less finance costs (US\$m)	(0.2)	(0.1)	5.6	(0.1)	(0.1)
Less tax paid (US\$m)	-	-	(4.4)	(1.3)	(1.2)
Add back other (US\$m)	2.6	1.4	18.0	2.6	2.6
Cash flow ops (US\$m)	16.1	(3.7)	(0.6)	8.6	11.0
PP&E - build (US\$m)	(1.0)	(0.6)	(0.1)	(56.2)	(221.3)
Exploration (US\$m)	(15.9)	(18.8)	(24.3)	(12.8)	-
Asset sales (US\$m)	-	-	-	-	-
Cash flow inv. (US\$m)	(16.9)	(19.4)	(24.4)	(69.0)	(221.3)
Share issue (US\$m)	54.3	22.6	33.5	108.8	-
Debt draw (repay) (US\$m)	(1.2)	(2.1)	(1.3)	-	-
Cash flow fin. (US\$m)	53.1	20.5	32.3	108.8	-
Net change in cash (US\$m)	52.2	(2.7)	7.3	48.3	(210.3)

Balance sheet^					
	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (US\$m)	56.4	55.8	62.6	111.0	(99.3)
Acc rec. + inv. (US\$m)	31.2	44.3	52.8	54.8	55.0
PPE (US\$m)	64.4	54.0	52.3	101.0	314.7
Exploration (US\$m)	26.7	51.9	79.5	92.4	92.4
Others (US\$m)	13.5	17.8	16.9	16.9	16.9
Total assets (US\$m)	192	224	264	376	380
Debt (US\$m)	3.2	1.6	2.5	2.5	2.5
Accnts payable (US\$m)	7.6	9.3	7.5	6.8	6.8
Def. tax, closure, other (US\$)	3.0	5.8	15.2	15.2	15.2
Total liabilities (US\$m)	13.7	16.6	25.2	24.4	24.4
Shareholders equity (US\$m)	203.6	228.3	264.4	373.2	373.2
Contributed surplus (US\$m)	8.6	10.8	12.5	12.5	12.5
Retained earnings (US\$m)	(33.7)	(31.8)	(38.0)	(34.0)	(30.5)
Liabilities + equity (US\$m)	192	224	264	376	380

DISCLOSURES & DISCLAIMERS

This research report (as defined under IIROC Rule 3600, Part B) is issued and approved for distribution in Canada by Sprott Capital Partners LP (“SCP”), an investment dealer who is a member of the Investment Industry Regulatory Organization of Canada (“IIROC”) and the Canadian Investor Protection Fund (“CIPF”). The general partner of SCP is Sprott Capital Partners GP Inc. and SCP is a wholly-owned subsidiary of Sprott Inc., which is a publicly listed company on the Toronto Stock Exchange under the symbol “SII”. Sprott Asset Management LP (“SAM”), a registered investment manager to the Sprott Funds and is an affiliate of SCP. This research report is provided to retail clients and institutional investors for information purposes only. The opinions expressed in this report are the opinions of the author and readers should not assume they reflect the opinions or recommendations of SCP’s research department. The information in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does SCP and/or affiliated companies or persons assume any responsibility or liability whatsoever. This report is not to be construed as an offer to sell or a solicitation of an offer to buy any securities. SCP accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein. Past performance is not a guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they generate may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. SCP may participate in an underwriting of, have a position in, or make a market in, the securities mentioned herein, including options, futures or other derivatives instruments thereon, and may, as a principal or agent, buy or sell such products.

DISSEMINATION OF RESEARCH:

SCP’s research is distributed electronically through email or available in hard copy upon request. Research is disseminated concurrently to a pre-determined list of clients provided by SCP’s Institutional Sales Representative and retail Investment Advisors. Should you wish to no longer receive electronic communications from us, please contact unsubscribe@sprott.com and indicate in the subject line your full name and/or corporate entity name and that you wish to unsubscribe from receiving research.

RESEARCH ANALYST CERTIFICATION:

Each Research Analyst and/or Associate who is involved in the preparation of this research report hereby certifies that:

- The views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report;
- His/her compensation is not and will not be directly related to the specific recommendations or view expressed by the Research analyst in this research report;
- They have not affected a trade in a security of any class of the issuer within the 30-day period prior to the publication of this research report;
- They have not distributed or discussed this Research Report to/with the issuer, investment banking group or any other third party except for the sole purpose of verifying factual information; and
- They are unaware of any other potential conflicts of interest.

UK RESIDENTS:

Sprott Partners UK Limited (“Sprott”) is an appointed representative of PillarFour Securities LLP which is authorized and regulated by the Financial Conduct Authority. This document has been approved under section 21(1) of the FMSA 2000 by PillarFour Securities LLP (“PillarFour”) for communication only to eligible counterparties and professional clients as those terms are defined by the rules of the Financial Conduct Authority. Its contents are not directed at UK retail clients. PillarFour does not provide investment services to retail clients. PillarFour publishes this document as non-independent research which is a marketing communication under the Conduct of Business rules. It has not been prepared in accordance with the regulatory rules relating to independent research, nor is it subject to the prohibition on dealing ahead of the dissemination of investment research. It does not constitute a personal recommendation and does not constitute an offer or a solicitation to buy or sell any security. Sprott and PillarFour consider this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. This is because the content is either considered to be commissioned by Sprott’s clients as part of their advisory services to them or is short term market commentary. Neither Sprott nor PillarFour nor any of its directors, officers, employees or agents shall have any liability, howsoever arising, for any error or incompleteness of fact or opinion in it or lack of care in its preparation or publication; provided that this shall not exclude liability to the extent that this is impermissible under the law relating to financial services. All statements and opinions are made as of the date on the face of this document and are not held out as applicable thereafter. This document is intended for distribution only in those jurisdictions where PillarFour is permitted to distribute its research.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Sprott Capital Partners LP (“SCP”), a company authorized to engage in securities activities in Canada. SCP is not a registered broker/dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Sprott Global Resource Investments Ltd. (“SGRIL”), a broker dealer in the United States registered with the Securities Exchange Commission (“SEC”), the Financial Industry Authority (“FINRA”), and a member of the Securities Investor Protection Corporation (“SIPC”). Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through SCP.

SGRIL accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor. The analyst whose name appears in this research report is not licensed, registered, or

qualified as a research analyst with FINRA and may not be an associated person of SGRIL and, therefore, may not be subject to applicable restrictions under FINRA Rule 2241 regarding communications by a research analyst with a subject company, public appearances by the research analyst, and trading securities held by a research analyst account. To make further inquiries related to this report, United States residents should contact their SGRIL representative.

Analyst Certification/Regulation AC

The analyst and associate certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers. In addition, the analyst and associate certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Sprott Capital Partners Explanation of Recommendations: Should SCP issue research with recommendations, the research rating guidelines will be based on the following recommendations:

BUY: The stocks total returns are expected to be materially better than the overall market with higher return expectations needed for more risky securities markets

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

UNDER REVIEW: The stock will be placed under review when there is a significant material event with further information pending; and/or when the research analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

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

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

Research Disclosure	Response
1 SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities ¹	YES
2 The analyst or any associate of the analyst responsible for the report or recommendation or any individual directly involved in the preparation of the report holds or is short any of the issuer's securities directly or through derivatives	NO
3 An SCP partner, director, officer or analyst involved in the preparation of a report on the issuer, has during the preceding 12 months provided services to the issuer for remuneration other than normal course investment advisory or trading execution services	NO
4 SCP has provided investment banking services for the issuer during the 12 months preceding the date of issuance of the research report or recommendation	YES
5 Name of any director, officer, employee or agent of SCP who is an officer, director or employee of the issuer, or who serves in an advisory capacity to the issuer	NO
6 SCP is making a market in an equity or equity related security of the issuer	NO
7 The analyst preparing this report received compensation based upon SCP's investment banking revenue for the issuer	NO
8 The analyst has conducted a site visit and has viewed a major facility or operation of the issuer	YES
9 The analyst has been reimbursed for travel expenses for a site visit by the issuer	NO

Sprott Capital Partners Equity Research Ratings:

Summary of Recommendations as of February 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	55

¹ As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month