

**Ticker:** GGD CN

**Pro forma cash:** US\$109m

**Project:** Los Ricos / Parral

**Market cap:** C\$677m

**Price:** C\$2.08/sh

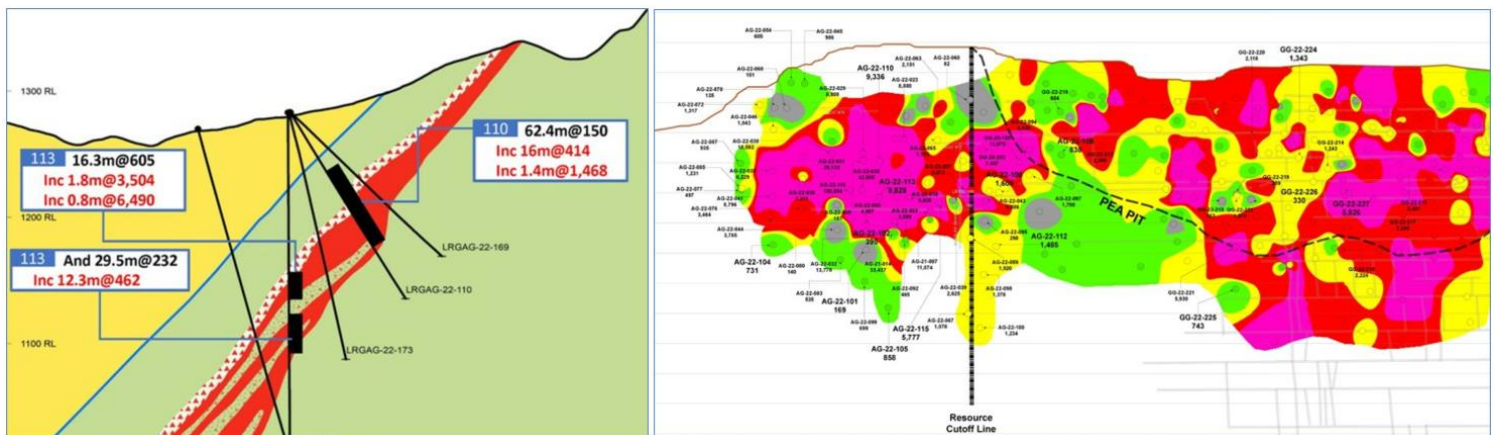
**Country:** Mexico

**REC. (unc):** BUY

**TARGET (unc):** C\$3.60/sh

**RISK RATING (unc):** HIGH

Today's drilling is mostly infill with some deeper step-downs at Eagle extending mineralization ~400m vertical now. While no step-change on these results, the 75% hit rate averaging ~200g/t AgEq (~210g/t AgEq for Eagle) is in line with existing 84Moz @ 197g/t AgEq resource, for useful additions. Perhaps more interesting was our site visit last week, with Eagle very much the engine room, but with such endowment that the near-mine region as a whole is definitively, in our view, a global 'hot spot' for silver. Eagle offers not just the quantitative upside (more metal next year than this, better FS next year than this), but a qualitative option of enabling a fast-start on a bonanza, NOT previously mined UG by virtue of simpler permitting than a pit. We do expect a pit in phase 2 / as permitted, but the ability to start UG should allay any investor concerns around timing risk. Stepping back, Eagle is transformative in our view, with (i) potential for SCPe +40Moz of high-grade drill de-risked already against 78Moz @ 160g/t ROM grade. Perhaps more interesting is that this estimate is only to ~400m, vs. ~850m below surface that workings went to on adjacent Main Zone of Los Ricos south, ie this is not the typical '400m peak vertical' of peer low-sulfidation bonanza zones. For now, we **maintain our BUY rating, 0.7xNAV<sub>5%</sub> multiple and C\$3.60/sh PT**. With the stock trading on just 0.39xNAV by our estimates, if the PEA supported a re-rate to just 0.5xNAV, this could drive >50c/share price appreciation, further fuelled by the preceding MRE, Eagle roots drilling, and year end PFS, not forgetting the Los Ricos North PEA also due mid year. With US\$100m to move quickly, and twin tracked ounce growth and development, GoGold remains our preferred silver (only, ie 75% Ag vs many polymetallic peers) play.

**Figure 1. (A) Eagle cross-section and (B) LRS long-section showing today's drilling**


Source: GoGold

### Eagle drilling hits 16.3m @ 605g/t AgEq; Site visit: Eagle underground cornerstones LRS value

Highlights from 19 Los Ricos South (LRS) include **16.3m @ 605g/t AgEq** (incl. 0.8m @ 6,490g/t AgEq), **16.0m @ 414g/t**, and **12.3m @ 462g/t** from Eagle, and **6.3m @ 715g/t** (within **29.0m @ 201g/t**) and **1.4m @ 236g/t** from Main Area. Results will be incorporated into upcoming MRE and PEA in 1H23, with ongoing trade-off studies to understand areas suitable for underground vs. open pit mining.

**Site Visit:** The key take home from our visit to Los Ricos South (84Moz @ 197g/t AgEq) last week was the work on an additional early-years underground ahead of a second phase pit. In this context, the three most material price drivers were:

- i) **Eagle, Eagle, Eagle;** as evidenced by recent **55m @ 2.7kg/t AgEq** will likely cornerstone UG mining over a ~160m vertical by ~400m strike core with ~20m average thicknesses high-grade core. This

is the broadest of any LRS/LRN discovery (ranging from 5.2-22m), so not only has the grade, but is suitable for bulk mining, pending geotechnical reviews.

- ii) **Infrastructure / engineering**— we saw first-hand the good site access including highway and gravel road to site, nearby water and power, and only thin vegetation to potentially facilitate OP mining compared to ‘UG only’ peers in steep topographical regions. With regional town of Hostotipaquillo ~40 minutes away, we see potential for nearby communities to support the workforce requirements. Technical/design work is well underway for surface infrastructure at LRS with waste dump, tailings dump, process plant locations well understood to feed into the ongoing permitting process.
- iii) **Exploration** isn’t just Eagle, with Los Ricos South still not well understood, both at depth and along ~5km strike north of Eagle, including targets still to test across the land package such as prospective San Pedro Analco NE of LRS. But Eagle is still core here, in particular its roots. Historic production at adjacent LRS Main (SE of unmined Eagle) saw >2Mt @ 774g/t AgEq (~55Moz AgEq), with historic development extending to ~900m vertical. Having only explored ~450m vertical on main, and less on Eagle, we think there is potential to see same again at depth.
- iv) **Los Ricos North** is easy to forget after the (justified) hype around Eagle. With an existing 161Moz @ 117g/t AgEq resource ~25km NW, the maiden 2023 PEA driven by high-grade low strip open El Favor (existing 72.8Moz @ 113g/t AgEq resource) could see quick payback to continue to drive future operations here, and a material increase in published NPV.

**Figure 2. (A) Los Ricos South Eagle and (B) Los Ricos North El Favor**



Source: SCP

**Figure 3. (A) Los Ricos South and (B) Los Ricos North historic underground workings**



Source: SCP

Figure 4. Los Ricos South drill contractor (A) material storage area and (B) facilities



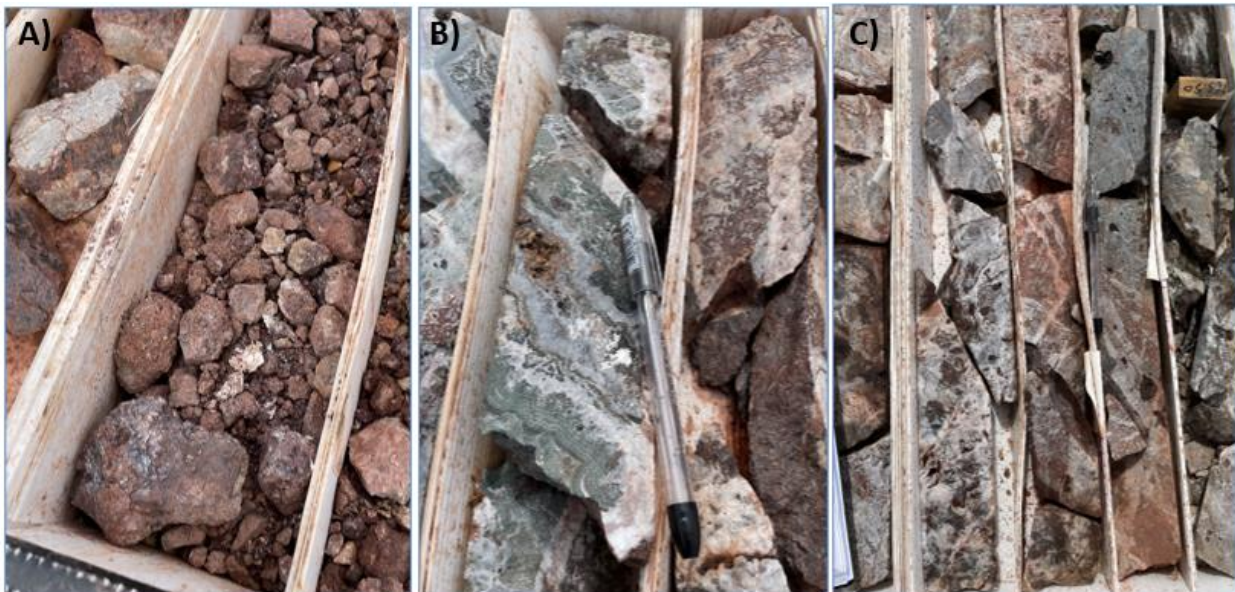
Source: SCP

Figure 5. GoGold Core (A) display and (B) shack/storage facilities



Source: SCP

Figure 6: Eagle (A) hole 22-118 (55m @ 2.7kg/t incl 2.0m @ 63.7kg/t AgEq) with flake silver, (B) hole 21-014 (72.6m @ 461g/t) and 21-007 (42.5m @ 251g/t)



Source: SCP

## 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\$2.08/sh, C\$677m | <b>Group P/NAV today:</b> 0.39x | <b>Asset:</b> L. Ricos / Parral |
| <b>Author:</b> B Salier / E Magdzinski | <b>Recommendation:</b> BUY                  | <b>Price target:</b> C\$3.60/sh | <b>Country:</b> 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 |

| Group-level SOTP valuation               |              |        |             |             |
|--|--------------|--------|-------------|-------------|
|  | US\$m        | O/ship | NAVx        | C\$/sh*     |
| NPV Parral (1Q23)                        | 91           | 100%   | 1.0x        | 0.36        |
| NPV Los Ricos <b>South</b> (build start) | <b>402</b>   | 100%   | <b>0.7x</b> | 1.10        |
| LRS nominal 40Moz @ US\$2.5/oz Ag        | 100          | 100%   | 1.0x        | 0.39        |
| NPV Los Ricos <b>North</b> (build start) | <b>565</b>   | 100%   | <b>0.4x</b> | 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        |
| <b>1xNAV5% 1Q23 US\$1850/oz</b>          | <b>1,379</b> |        |             | <b>3.60</b> |

| Group NAV (US\$m)          |                     |                 |                 |                 |                 |
|----------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
|                            | Spot                | SCP             |                 |                 |                 |
|                            | Au: \$1650oz        | \$1750oz        | \$1850oz        | \$1950oz        | \$2050oz        |
| <b>Group 1xNAV (US\$m)</b> | <b>Ag: \$20.0oz</b> | <b>\$22.0oz</b> | <b>\$24.0oz</b> | <b>\$26.0oz</b> | <b>\$28.0oz</b> |
| 11% discount               | 899                 | 986             | 1,073           | 1,160           | 1,248           |
| 8% discount                | 1,011               | 1,111           | 1,211           | 1,310           | 1,410           |
| 5% discount                | 1,148               | 1,264           | <b>1,379</b>    | 1,495           | 1,610           |
| Ungeared project IRR:      | 45%                 | 49%             | 53%             | 57%             | 60%             |

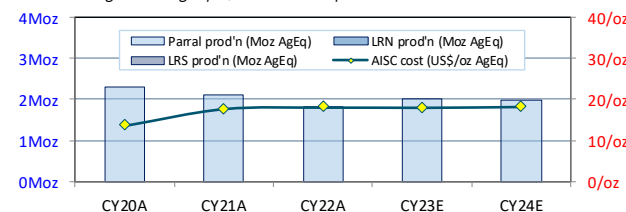
| Group NAV (C\$/sh)*        |                     |                 |                 |                 |                 |
|----------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
|                            | Spot                | SCP             |                 |                 |                 |
|                            | Au: \$1650oz        | \$1750oz        | \$1850oz        | \$1950oz        | \$2050oz        |
| <b>Group NAV (C\$/sh)*</b> | <b>Ag: \$20.0oz</b> | <b>\$22.0oz</b> | <b>\$24.0oz</b> | <b>\$26.0oz</b> | <b>\$28.0oz</b> |
| 11% discount               | 2.59                | 2.77            | 2.95            | 3.12            | 3.30            |
| 8% discount                | 2.83                | 3.03            | 3.24            | 3.45            | 3.65            |
| 5% discount                | 3.12                | 3.36            | <b>3.60</b>     | 3.84            | 4.08            |

| Los Ricos South assumptions   |      |            |            |            |            |
|-------------------------------|------|------------|------------|------------|------------|
|                               | Mt   | AuEq (g/t) | AgEq (g/t) | AuEq (koz) | AgEq (koz) |
| 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        |
| <b>LRS NPV bld start (US\$m) Ag:</b> | <b>\$20.0oz</b> | <b>\$22.0oz</b> | <b>\$24.0oz</b> | <b>\$26.0oz</b> | <b>\$28.0oz</b> |
| 11% discount                         | 212             | 241             | 271             | 301             | 330             |
| 8% discount                          | 261             | 295             | 329             | 364             | 398             |
| 5% discount                          | 322             | 362             | <b>402</b>      | 442             | 483             |
| <b>LRN NPV bld start (US\$m) Ag:</b> | <b>\$20.0oz</b> | <b>\$22.0oz</b> | <b>\$24.0oz</b> | <b>\$26.0oz</b> | <b>\$28.0oz</b> |
| 11% discount                         | 290             | 345             | 399             | 453             | 507             |
| 8% discount                          | 350             | 412             | 474             | 535             | 597             |
| 5% discount                          | 424             | 494             | <b>565</b>      | 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 |

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) | 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 | 438.6 | 440.0  | 473.8 | 684.1 |
| FCF margin (%)           | -2%   | -48%  | -70%   | -126% | -442% |
| PER (x)                  | 30x   | 42x   | -      | 139x  | 165x  |
| P/CF (x)                 | -     | -     | -      | -     | -     |
| EV/EBITDA (x)            | 36.5x | 65.8x | (97.6) | 46.9x | 69.4x |

| 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       | 20.2       |
| 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)      |
| <b>Net income, attrib (US\$m)</b> | <b>12.4</b> | <b>10.6</b> | <b>(6.2)</b> | <b>3.9</b> | <b>3.6</b> |

| 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\$m) | (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            |
| <b>Cash flow ops (US\$m)</b>   | <b>16.1</b>   | <b>(3.7)</b>  | <b>(0.6)</b>  | <b>8.6</b>    | <b>11.0</b>    |
| 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)            | -             | -             | -             | -             | -              |
| <b>Cash flow inv. (US\$m)</b>  | <b>(16.9)</b> | <b>(19.4)</b> | <b>(24.4)</b> | <b>(69.0)</b> | <b>(221.3)</b> |
| Share issue (US\$m)            | 54.3          | 22.6          | 33.5          | 108.8         | -              |
| Debt draw (repay) (US\$m)      | (1.2)         | (2.1)         | (1.3)         | -             | -              |
| <b>Cash flow fin. (US\$m)</b>  | <b>53.1</b>   | <b>20.5</b>   | <b>32.3</b>   | <b>108.8</b>  | <b>-</b>       |
| 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       |
| <b>Total assets (US\$m)</b>         | <b>192</b> | <b>224</b> | <b>264</b> | <b>376</b> | <b>380</b> |
| 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\$m)    | 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)     |
| <b>Liabilities + equity (US\$m)</b> | <b>192</b> | <b>224</b> | <b>264</b> | <b>376</b> | <b>380</b> |

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**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

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| Research Disclosure  | Response |
|--|----------|
| 1 SCP and its affiliates collectively beneficially owns 1% or more of any class of the issuer's equity securities <sup>1</sup>   | 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 |

<sup>1</sup> 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