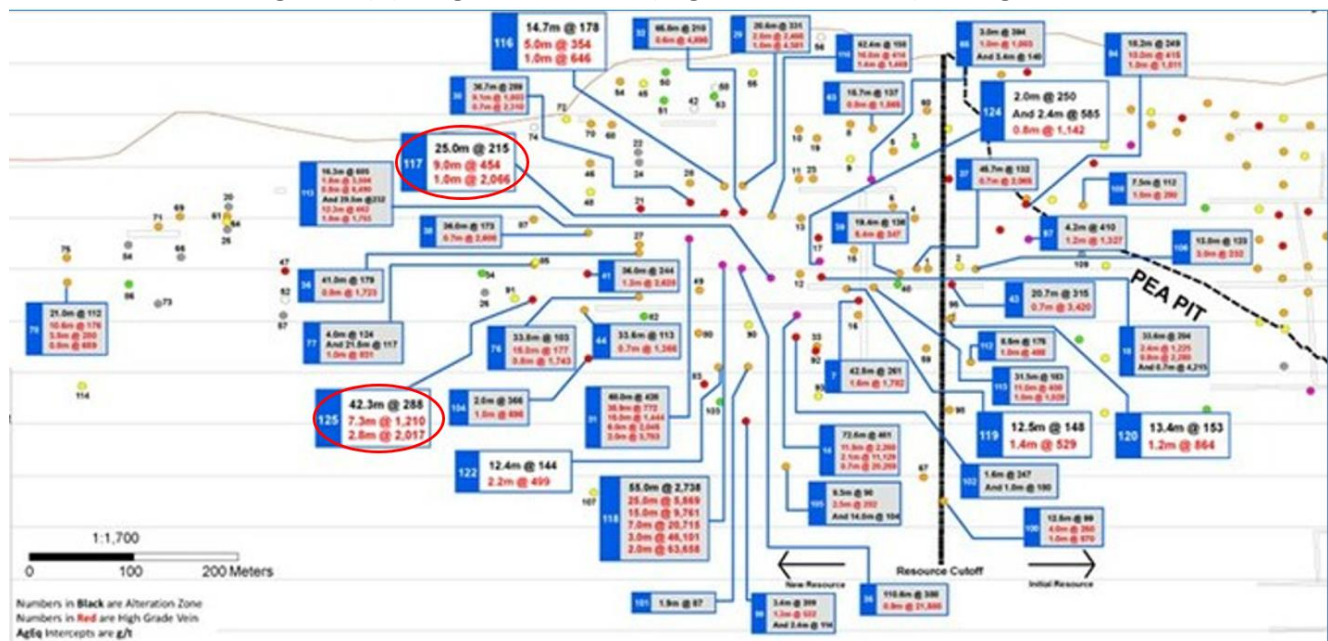


Ticker: GGD CN **Pro forma cash:** US\$109m **Project:** Los Ricos / Parral
Market cap: C\$612m **Price:** C\$1.88/sh **Country:** Mexico
REC. (unc): BUY **TARGET (unc):** C\$3.60/sh **RISK RATING (unc):** HIGH

Today's drilling results from Los Ricos South is mostly infill, with headline hit of 42.3m @ 288 g/t AgEq (incl. 2.8m @ 2,017 g/t) from just 128m downhole, coming from the Eagle zone. While these results are not a step-change, the bulk hits at Eagle and Main zones complement nicely the bonanza-grades that remain (unlike Main Zone, no historic mining here), and continue de-risking the project ahead of the upcoming MRE and PEA in 1H23. Digging in, today's average at Eagle was 15.6m @ 223 g/t AgEq, while Main Zone saw an average of 10.8m @ 179 g/t AgEq. This drilling continues to support our target of >40Moz of high-grade and drill de-risked ounces in the upcoming MRE (and open north / depth). The second win from infill drilling at Main Zone (average 10.8m @ 179 g/t) is seeing the high-grade core shaping up nicely, with mineralization also outcropping near surface, reducing the strip ration in early days and hence potentially sweeten the economics, all of that remains to be verified by upcoming the PEA. For now, **we maintain our BUY rating and our 0.7xNAV_{5%} C\$3.60/sh PT**. The year ahead for GoGold is catalyst heavy including more Los Ricos South drilling, 1H23 MRE / PEA update, permitting, 1H23 UG development start, and 2H23 PFS, as well as a maiden PEA at Los Ricos North. With the stock trading at just 0.35xNAV by our estimates, the PEA/MRE updates could drive a valuation re-rate with >50c/sh appreciation, while additional fuel for upside potentially added by Los Ricos North PEA and permitting progress.

Figure 1. (A) Long-section of LRS (Eagle and Main Zone) drilling



Source: GoGold

Drilling at LRS hit 2.8m @ 2kg/t, ahead of MRE and PEA update

GoGold reported results from 11 diamond drill holes (4 Main Zone / 7 Eagle Zone) at Los Ricos South with bulk highlight hits at new Eagle Zone of **42.3m @ 288 g/t AgEq** (incl. 2.8m @ 2,017 g/t) and **25m @ 215 g/t AgEq** (incl. 1m @ 2,066 g/t). Additional infill at Main Zone hit **10.2m @ 256 g/t AgEq** (incl. 0.8m @ 2,083 g/t) and **11.9m @ 218 g/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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Ticker: GGD CN	Price / mkt cap: C\$1.88/sh, C\$612m	Group P/NAV today: 0.35x	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	SCP			
Au:	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Group 1xNAV (US\$m)	\$20.0oz	\$22.0oz	\$24.0oz	\$26.0oz	\$28.0oz

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	1,379	1,495	1,610
Ungeared project IRR:	45%	49%	53%	57%	60%

Au: \$1650oz \$1750oz \$1850oz \$1950oz \$2050oz

Group NAV (C\$/sh)* **Ag:** \$20.0oz \$22.0oz \$24.0oz \$26.0oz \$28.0oz

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	3.60	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
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

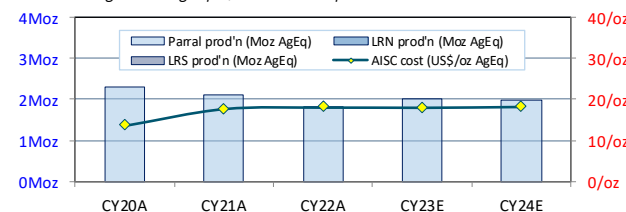
LRN NPV bld start (US\$m) Ag: \$20.0oz \$22.0oz \$24.0oz \$26.0oz \$28.0oz

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

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	391.2	440.0	417.8	628.1
FCF margin (%)	-2%	-48%	-70%	-126%	-442%
PER (x)	27x	38x	-	126x	149x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	36.5x	58.7x	(97.6)	41.3x	63.7x

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)

Net income, attrib (US\$m)

12.4 10.6 (6.2) 3.9 3.6

Cash flow^

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

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^

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\$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)

Liabilities + equity (US\$m)

192 224 264 376 380

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

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BUY:	52
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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