

**Ticker:** GGD CN

**Market cap: C\$612m**

**Pro forma cash: US\$108m**

**Price: C\$1.88/sh**

**Project:** Los Ricos / Parral

**Country:** Mexico

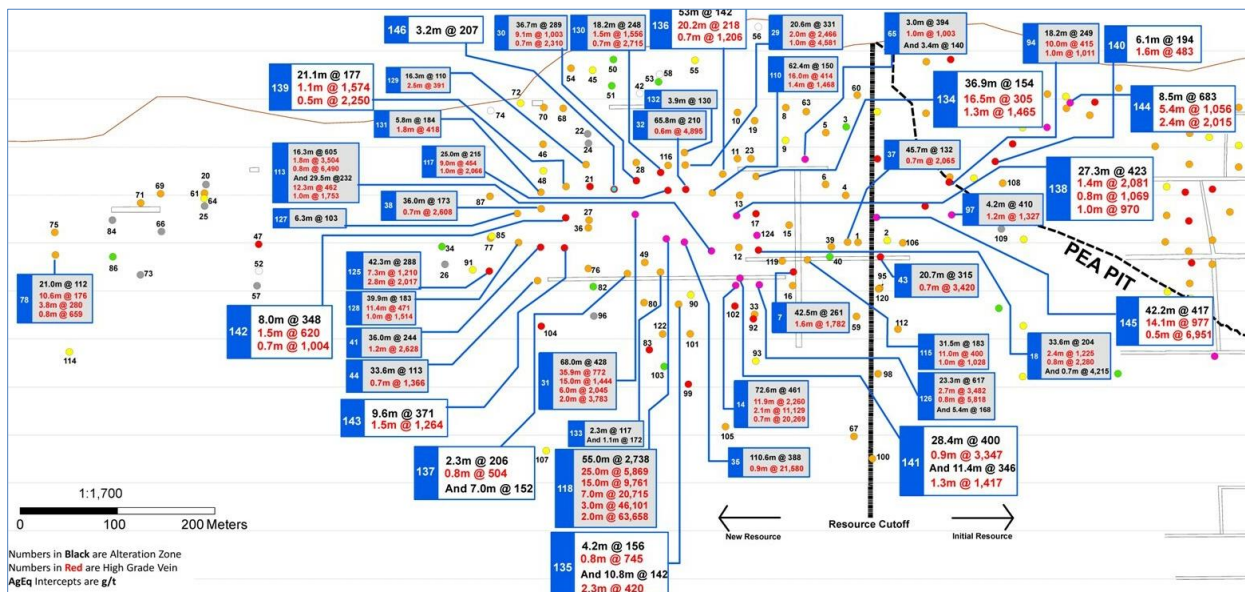
*REC. (unc): BUY*

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

**RISK RATING (unc): HIGH**

Today's LRS delineation drilling on Eagle and infill on Main shows impressive high-grade intercepts ahead of the quarter-end MRE and PEA updates. We see 40Moz on Eagle (ie half again on Main Zone), but at a much higher grade as the core was not previously mined. Of the 13 holes released today, we note 16 pierce points with an average of **17m @ 283g/t AgEq**, with hits on Eagle **19m @ 272g/t AgEq** - incredibly wide (good for cheap bulk UG mining) and high grade (+100g/t on Main Zone's current 186g/t AgEq MRE). Physically, today's drilling is up/down/all over the place, which talks to the consistency of the high-grade zone, a now significant shoot spanning several hundreds of meters along strike. Looking to fringe hits, we see today 8m @ 348g/t in the most northern end of drilling, ie wide open, with headline results mainly in the core (albeit two from within current PEA averaging 7m @ 478g/t). We like this because the Main Zone was telescoped with multiple boiling zones, meaning there is a good chance we could see another Eagle at 100m depth like in Main Zone. As such, **we maintain our BUY rating and our 0.7xNAV<sub>5%</sub> C\$3.60/sh PT**. The year ahead for GoGold is catalyst heavy, making it a good name to own in this silver tape, with alpha (LRS 1H23 MRE / PEA update, permitting, 1H23 UG development start, 2H23 PFS and final construction decision) and buckets of torque (LRN maiden PEA – lots of metal here too). While, the stock is trading at just 0.35xNAV by our estimates, the PEA/MRE updates could drive a valuation re-rate with >50c/sh appreciation. Hence the time to buy is now.

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



Source: GoGold

**LRS drilling hits broad high-grade ahead of MRE and PEA update; 42.2m @ 417g/t AgEq**

Results from 13 diamond holes (2 Main Zone / 11 Eagle Zone) at Los Ricos South saw bulk highlights at Eagle Zone of **42.2m @ 417g/t AgEq** (incl. **0.5m @ 6.9kg/t AgEq**) from 112m, **27.3m @ 423g/t AgEq** from 109m, **28.4m @ 400g/t AgEq** from 157m, and **53.0m @ 142g/t AgEq** from 47m. Additional infill at Main Zone hit **8.5m @ 683g/t AgEq** from 35m and **6.1m @ 194g/t AgEq** from 158m. These results will be incorporated in upcoming MRE and PEA updates expected by the end of the quarter.

## 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 North – PEA
- 2H23: Permitting
- 2H23: Los Ricos South – commence UG development
- 2H23: Los Ricos South – PFS
- YE23: Final construction decision

## Research

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<b>Ticker:</b> GGD CN	<b>Price / mkt cap:</b> C\$1.88/sh, C\$612m	<b>Group P/NAV today:</b> 0.35x	<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	1,888	1,865	Parral (SCP mine plan)	32Moz	63.3g/t	358koz	0.00g/t
Silver price	21.02	22.50	20.09	22.87	23.57	Los Ricos South (SCPe)	72Moz	189g/t	816koz	2.14g/t

Group-level SOTP valuation	US\$m	O/ship	NAVx	C\$/sh*
NPV Parral (2Q23)	90	100%	1.0x	0.35
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	<b>108</b>	100%	1.0x	0.42
Cash from options	10	100%	1.0x	0.04

Share data	CY20A	CY21A	CY22E	CY23E	CY24E
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)	0.1	0.8
CFPS before w/c (USc/sh)	(0)	(4)	(5)	(17)	(56)
EV (US\$m)	517.2	391.2	440.0	420.3	632.0
FCF margin (%)	-2%	-48%	-70%	-144%	-449%
PER (x)	27x	38x	-	1,068x	171x
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	36.5x	58.7x	(97.6)	66.0x	66.6x

Income statement^	CY20A	CY21A	CY22E	CY23E	CY24E
Revenue, attrib (US\$m)	46.4	48.0	35.7	43.7	47.1
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	7.2	7.7
<b>Gross profit, attrib (US\$m)</b>	<b>17.3</b>	<b>16.3</b>	<b>2.6</b>	<b>9.2</b>	<b>200.6</b>
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)	(0.9)	(1.2)
<b>Net income, attrib (US\$m)</b>	<b>12.4</b>	<b>10.6</b>	<b>(6.2)</b>	<b>0.5</b>	<b>3.1</b>

Cash flow^	CY20A	CY21A	CY22E	CY23E	CY24E
EBITDA (US\$m)	<b>14.2</b>	<b>6.7</b>	<b>(4.5)</b>	<b>6.4</b>	<b>9.5</b>
Less working Δ capital (US\$m)	(0.5)	(11.6)	(15.4)	(1.5)	(1.2)
Less finance costs (US\$m)	(0.2)	(0.1)	5.6	(0.1)	(0.1)
Less tax paid (US\$m)	-	-	(4.4)	(0.9)	(1.2)
Add back other (US\$m)	2.6	1.4	18.0	2.3	2.6
<b>Cash flow ops (US\$m)</b>	<b>16.1</b>	<b>(3.7)</b>	<b>(0.6)</b>	<b>6.2</b>	<b>9.6</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	45.9	(211.7)

Balance sheet^	CY20A	CY21A	CY22E	CY23E	CY24E
Cash (US\$m)	56.4	55.8	62.6	108.5	(103.2)
Acc rec. + inv. (US\$m)	31.2	44.3	52.8	53.5	54.7
PPE (US\$m)	64.4	54.0	52.3	101.3	314.9
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>373</b>	<b>376</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)	(37.5)	(34.4)
<b>Liabilities + equity (US\$m)</b>	<b>192</b>	<b>224</b>	<b>264</b>	<b>373</b>	<b>376</b>

Production (Y1 from 3Q20)	CY20A	CY21A	CY22A	CY23E	CY24E
Parral prod'n (Moz AgEq)	2.3	2.1	1.8	1.9	2.0
LRS prod'n (Moz AgEq)	-	-	-	-	-
LRN prod'n (Moz AgEq)	-	-	-	-	-
C1 cost (US\$/oz AgEq)	11.44	13.47	13.24	14.16	13.66
AISC cost (US\$/oz AgEq)	13.86	17.75	17.86	18.82	18.14
C3 cost (US\$/oz AgEq)	14.76	18.24	18.89	19.67	19.15

LRN NPV bid start (US\$m) Ag:	\$20.0oz	\$22.0oz	\$24.0oz	\$26.0oz	\$28.0oz	Share issue (US\$m)	54.3	22.6	33.5	108.8	-
11% discount	290	345	399	453	507	Debt draw (repay) (US\$m)	(1.2)	(2.1)	(1.3)	-	-
8% discount	350	412	474	535	597	Cash flow fin. (US\$m)	53.1	20.5	32.3	108.8	-
5% discount	424	494	565	635	706	Net change in cash (US\$m)	52.2	(2.7)	7.3	45.9	(211.7)

Production (Y1 from 3Q20)	CY20A	CY21A	CY22A	CY23E	CY24E	Balance sheet^	CY20A	CY21A	CY22E	CY23E	CY24E
Parral prod'n (Moz AgEq)	2.3	2.1	1.8	1.9	2.0	Cash (US\$m)	56.4	55.8	62.6	108.5	(103.2)
LRS prod'n (Moz AgEq)	-	-	-	-	-	Acc rec. + inv. (US\$m)	31.2	44.3	52.8	53.5	54.7
LRN prod'n (Moz AgEq)	-	-	-	-	-	PPE (US\$m)	64.4	54.0	52.3	101.3	314.9
C1 cost (US\$/oz AgEq)	11.44	13.47	13.24	14.16	13.66	Exploration (US\$m)	26.7	51.9	79.5	92.4	92.4
AISC cost (US\$/oz AgEq)	13.86	17.75	17.86	18.82	18.14	Others (US\$m)	13.5	17.8	16.9	16.9	16.9
C3 cost (US\$/oz AgEq)	14.76	18.24	18.89	19.67	19.15	<b>Total assets (US\$m)</b>	<b>192</b>	<b>224</b>	<b>264</b>	<b>373</b>	<b>376</b>

$AISC = C1 + ug \text{ sustaining capex}$ , $C3 = AISC + \text{depreciation}$							
4Moz							
3Moz							
2Moz							
1Moz							
0Moz							
		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
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Production (Y1 from 3Q20)	CY20A	CY21A	CY22A	CY23E	CY24E
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C3 cost (US\$/oz AgEq)	14.76	18.24	18.89	19.67	19.15

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

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

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**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

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Summary of Recommendations as of April 2023	
BUY:	53
HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	56

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