

**GoGold Resources Inc. (GGD-CN)**  
**Rating: Buy**

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**Acquisition of 29 Concessions in Mexico; Asset Yields Strong**  
**Exploration Potential Amid Historic Findings; Reiterate Buy**

Stock Data		03/26/2019		
Price		C\$0.32		
Exchange		TSX		
Price Target		C\$0.90		
52-Week High		C\$0.53		
52-Week Low		C\$0.19		
Enterprise Value (M)		C\$43		
Market Cap (M)		C\$54		
Shares Outstanding (M)		171.8		
3 Month Avg Volume		123,470		
Short Interest (M)		0.20		
Balance Sheet Metrics				
Cash (M)		C\$10.90		
Total Debt (M)		C\$0.00		
Total Cash/Share		C\$0.06		
<i>General: Stock data in C\$.</i>				
EPS Diluted				
Full Year - Sep	2018A	2019E	2020E	
FY	(0.43)	(0.01)	0.00	
Revenue (M)				
Full Year - Sep	2018A	2019E	2020E	
FY	\$21.00	\$26.10	\$33.80	



**On March 26, 2019, GoGold reported that the firm has optioned 29 concessions covering 22,000 hectares in Jalisco state, Mexico.** The site is referred to as the Los Ricos project and was optioned from private Mexican owners. The new property is about 100 kilometers northwest of Gaudalajara and contains existing infrastructure from previous mining operations, including roads that improve project accessibility. Management believes that Los Ricos contains favorable geologic characteristics which should allow for further development of the property around historically mined areas. With a history of exploration successes while creating shareholder value, we feel GoGold is once again poised to make meaningful discoveries in conjunction with further production at Parral.

**Negotiations started a year ago.** While the firm has followed the Los Ricos asset for over eight years, management began option negotiations following the sale of its Santa Gertrudis asset to Agnico Eagle Mines (AEM; not rated) about a year ago. We note the asset was sold for \$95 million after purchasing it for \$11 million in 2014. The deal for Los Ricos includes an upfront payment of \$70,000, followed by \$750,000 over five years, with a 2% net smelter return on five of the concessions. GoGold may negotiate acquiring the asset earlier at any time, though we note that management has a contractually agreed upon maximum price of \$11 million anytime during the six-year option period. GoGold now has exclusive rights to explore the property for five years.

**Historic drilling at Los Ricos has intercepted high-grade gold and silver near the surface.** Previous exploration work at Los Ricos consisted of 65 drill holes, detailed and regional mapping, as well as extensive surface and underground sampling. As seen in the 2004 NI 43-101 technical report titled, "Summary Report on the Geology and Exploration Programs, Cinco Minas Project", economic gold and silver grades were intercepted near surface in multiple drill holes at the property. In targeting the El Abra Zone, Hole CMRC-30 returned 16.20 grams per tonne (gpt) gold equivalent grades over a true width of 16.4 meters, while hole CMRC-20 returned 5.38 gpt gold equivalent over a true width of 21.80 meters. In addition to reverse circulation and diamond drilling, underground chip samples from the El Abra zone yielded a weighted average of 163.3 gpt silver and 2.04 gpt gold over 14 meters. We highlight that the El Abra Zone hosts the most impressive silver and gold grades at site to date, and in turn, has historically been targeted for mining. Using past property data as guidance, the firm plans to focus its exploration around the margins of historic high-grade ore shoots in an attempt to expand upon known ore bodies.

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**We are reiterating our Buy recommendation and our per share PT of C\$0.90.** Our valuation is based on a DCF of operations at Parral, utilizing a 9.0% discount rate. This figure remains in-line with similar assets in jurisdictions with equal geopolitical risk factors. While our price target reflects operational and production advances, it does not currently ascribe any valuation to the recently acquired Los Ricos asset. That said, GoGold now has the potential for future exploration to drive future shareholder value, which we note management has successfully accomplished in the past. We note that the 10.1 million shares of Metalla Royalty & Streaming Ltd. that were received in lieu of \$6 million for Santa Gertrudis (with the remainder paid in cash) are currently trading at C\$1.39 per share. This yields a total value of C14.0 million, C\$0.06 per share, or \$10.5 million. In short, the current price compares favorably with GoGold's cost of C\$0.78 per share.

**Risks.** (1) Gold and silver price risk; (2) operating and technical risk; (3) financing risk.

<u>GoGold Resources</u>		<u>2019E</u>	<u>2020E</u>	<u>2021E</u>	<u>2022E</u>	<u>2023E</u>	<u>2024E</u>	<u>2025E</u>
<b>Parral</b>		<i>Note: includes recently acquired tailings as of around 2014</i>						
<b>Tonnes Processed (000's)</b>		<b>1,750</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,000</b>
Silver grade (gpt)		36.0	36.5	36.5	36.5	36.5	36.5	36.5
Silver Recovery		66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%
<b>Annual silver production (000's oz)</b>		<b>1,337</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,549</b>
% growth		67.6%	30.4%	0.0%	0.0%	0.0%	0.0%	-11.1%
Silver sales price		\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
Gold grade (gpt)		0.31	0.31	0.31	0.31	0.31	0.31	0.31
Gold Recovery		65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
<b>Annual gold production (000's oz)</b>		<b>11.3</b>	<b>14.6</b>	<b>14.6</b>	<b>14.6</b>	<b>14.6</b>	<b>14.6</b>	<b>13.0</b>
% growth		64.0%	28.6%	0.0%	0.0%	0.0%	0.0%	-11.1%
Gold sales price		\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300
Gold:Silver ratio		87	87	87	87	87	87	87
<b>Total silver equivalent produced</b>		<b>2,319</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>2,672</b>
% growth		86.0%	29.6%	0.0%	0.0%	0.0%	0.0%	-11.1%
<b>Revenue</b>		<b>\$ 34,790</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 40,078</b>
<b>Cost per tonne</b>		<b>\$ 8.25</b>	<b>\$ 8.25</b>	<b>\$ 8.25</b>	<b>\$ 8.25</b>	<b>\$ 8.25</b>	<b>\$ 8.25</b>	<b>\$ 8.25</b>
<b>Mining costs</b>		<b>\$ (14,438)</b>	<b>\$ (18,563)</b>	<b>\$ (18,563)</b>	<b>\$ (18,563)</b>	<b>\$ (18,563)</b>	<b>\$ (18,563)</b>	<b>\$ (16,500)</b>
<b>Gross profit (in 000's)</b>		<b>\$ 20,352</b>	<b>\$ 26,525</b>	<b>\$ 26,525</b>	<b>\$ 26,525</b>	<b>\$ 26,525</b>	<b>\$ 26,525</b>	<b>\$ 23,578</b>
CapEx (in 000's)		\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)
Tax rate		33.0%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
(Tax) / Tax Benefit (in 000's)		\$ (5,726)	\$ (7,763)	\$ (7,763)	\$ (7,763)	\$ (7,763)	\$ (7,763)	\$ (6,791)
Net Profit Interest		\$ (570)	\$ (570)	\$ (570)	\$ (570)	\$ (570)	\$ (570)	\$ (570)
<b>Operating cash flow</b>		<b>\$ 12,196</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 14,357</b>
Cash flow discount rate	9.0%							
<b>PV of operating cash flow</b>		<b>\$ 12,196</b>	<b>\$ 14,984</b>	<b>\$ 13,746</b>	<b>\$ 12,611</b>	<b>\$ 12,611</b>	<b>\$ 11,570</b>	<b>\$ 9,331</b>
<b>Total current cash flow</b>	\$	<b>87,050</b>						
Fully diluted shares		171,776						
<b>Project NAV per share</b>		<b>\$0.51</b>						
<b>Total gold production (000s oz)</b>		<b>11</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>13</b>
<b>Total silver production (000s oz)</b>		<b>1,337</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,743</b>	<b>1,549</b>
<b>Total gold equivalent production (000s oz)</b>		<b>27</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>31</b>
<b>Total silver equivalent production (000s oz)</b>		<b>2,319</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>3,006</b>	<b>2,672</b>
Revenue from gold		\$ 14,738	\$ 18,949	\$ 18,949	\$ 18,949	\$ 18,949	\$ 18,949	\$ 16,843
Revenue from silver		\$ 20,052	\$ 26,139	\$ 26,139	\$ 26,139	\$ 26,139	\$ 26,139	\$ 23,235
<b>Total revenues</b>		<b>\$ 34,790</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 45,088</b>	<b>\$ 40,078</b>
Total operating costs		\$ (14,438)	\$ (18,563)	\$ (18,563)	\$ (18,563)	\$ (18,563)	\$ (18,563)	\$ (16,500)
Total CapEx		\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)	\$ (3,000)
Total Tax		\$ (5,726)	\$ (7,763)	\$ (7,763)	\$ (7,763)	\$ (7,763)	\$ (7,763)	\$ (6,791)
<b>Total operating cash flow</b>		<b>\$ 12,196</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 16,332</b>	<b>\$ 14,357</b>
<b>Total PV of operating cash flow</b>		<b>\$ 12,196</b>	<b>\$ 14,984</b>	<b>\$ 13,746</b>	<b>\$ 12,611</b>	<b>\$ 12,611</b>	<b>\$ 11,570</b>	<b>\$ 9,331</b>
<b>Current value of cash flow</b>	\$	<b>87,050</b>	\$ 0.49 per share	<i>as of Dec 31, 2018</i>				
Plus cash & equivalents and some inventories	\$	17,543	\$ 0.10 per share	<i>as of Dec 31, 2018; includes In-Process Inventory and Finished Goods Inv</i>				
Plus royalty on Santa Gertrudis	\$	10,529	\$ 0.06 per share	<i>10.1m shares of Metalla Royalty and Streaming (TSX-V: MTA; not rated)</i>				
Less debt	\$	-						
<b>Total current value</b>	\$	<b>115,122</b>	\$ 0.64 per share					
<b>Total current value in C\$</b>	\$	<b>153,496</b>	<b>0.75 C\$/US\$ as of 3/26/2019</b>					
Common shares		171,776	<i>as of Mar 26, 2019</i>					
Options		7,015	<i>as of Dec 31, 2018</i>					
<b>Fully diluted shares</b>		<b>178,791</b>						
GGD share price	\$	0.32	<i>as of 3/26/2019</i>					
GGD NAV	\$	0.86	62.7%					
<b>Rounded (\$0.10) price target</b>	\$	<b>0.90</b>						
<i>Source: H.C. Wainwright &amp; Co. estimates.</i>								

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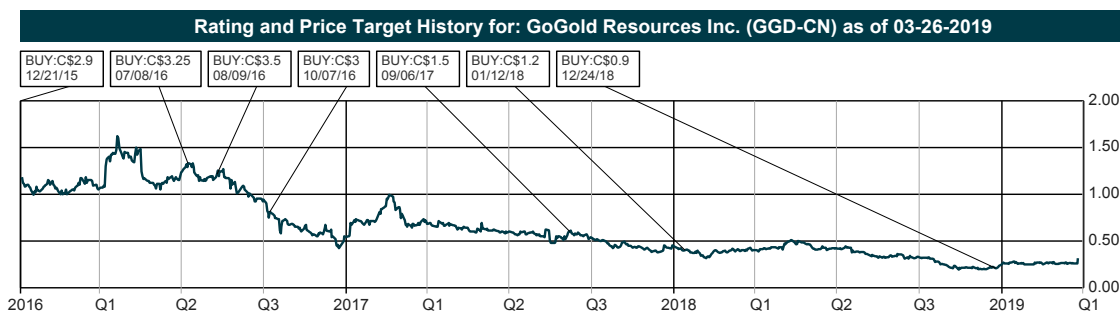
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Distribution of Ratings Table as of March 26, 2019				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	305	89.44%	115	37.70%
Neutral	31	9.09%	8	25.81%
Sell	0	0.00%	0	0.00%
Under Review	5	1.47%	1	20.00%
<b>Total</b>	<b>341</b>	<b>100%</b>	<b>124</b>	<b>36.36%</b>

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