

Gran Colombia Gold Corp. (TSX: GCM) Q2/20 Production Already Showing Recovery from COVID-19

Production Results
July 20, 2020

(Currency is C\$ unless noted otherwise)

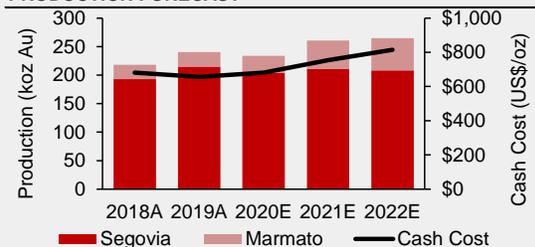
Closing Price (C\$/sh)	\$6.28	
Rating	BUY	
Target (C\$/sh)	\$13.00	
Return to Target	107%	
52 Week Low / High (C\$/sh)	\$2.88 / \$7.81	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	60.8	88.8
Market Capitalization (C\$M)	\$381.9	
Enterprise Value (C\$M)	\$303.7	
Cash (C\$M)	\$139.6	
Debt (C\$M)	\$61.4	

FYE: DEC 31	2019A	2020E	2021E
Au Produced (000's oz)	240	234	261
Cash Costs (US\$/oz)	\$656	\$680	\$754
CAPEX (US\$M)	\$52	\$32	\$91
Gross Revenue (US\$M)	\$326	\$391	\$411
EBITDA (US\$M)	\$143	\$201	\$187
CFPS (US\$/sh)	\$2.16	\$2.44	\$1.76
EPS (US\$/sh)	\$0.92	\$1.97	\$1.75

STOCK CHART



PRODUCTION FORECAST



VALUATION	(C\$M)	(C\$/sh)
2019 EV/EBITDA	\$ 190	\$ 9.46
2020 EV/EBITDA	\$ 277	\$ 13.40
1yr FWD NTM EV/EBITDA	\$ 268	\$ 12.98
2021 EV/EBITDA	\$ 261	\$ 12.69
2022 EV/EBITDA	\$ 242	\$ 11.07

MAJOR SHAREHOLDERS

Management (14.22%), Spratt, Eric Steven (5.4%), Iacono, Serafino (1.9%), Highstreet Asset Manageme. (1.78%)

DISCLOSURE CODE: 1, 2, 3, 4

(Please refer to the disclosures listed on the back page)

Source: RCS estimates, Company Information, Capital IQ

Company Description

Gran Colombia Gold Corp. engages in the acquisition, exploration, development, and operation of gold and silver properties primarily in Colombia. It holds interests in the Segovia operations comprising the El Silencio, Providencia, Sandra K, and the Carla underground mines located in Colombia; and the Marmato gold project situated in Colombia.

Impact: Neutral

Gran Colombia released Q2 production results that slightly missed our estimates primarily due to COVID-19 related impacts and the ongoing recovery. Importantly, operations improved in June at both mines and we continue to anticipate a better Q3/20. **In our view, we expect Gran Colombia's share price to be driven by steady operating results coupled with exploration success, particularly at Segovia, where the company is focused on extending the mine-life at higher grades.**

Highlights:

- Production getting back on track after COVID-19.** Gran Colombia announced total Q2 production of ~48.2k oz Au which came in slightly below our estimates of 50.8k oz Au (Figure 1). At Segovia, total production was ~44.4k oz at 13.9 g/t Au (RCS est. 45.9k oz at 14 g/t Au); whereas, Marmato's production totaled ~3.9k oz Au at 2.51 g/t Au versus our modelled 4.9k oz at 2.67 g/t Au (100%-basis). As we previously stated (read [here](#)), we continue to believe the company has largely realized the effects of COVID-19 and is now on track to return to normal production rates in Q3. On a 100% basis, we currently model 234k oz for 2020 (was 236k oz), but plan to revise our estimates when updated guidance is released with Q2/20 financial results (expected August 13).
- A good financial quarter likely in store.** Despite a slight miss on production, we are still expecting a solid financial quarter from Gran Colombia. We currently model Q2 revenue of US\$82.2M (was US\$85.1M) and EBITDA of US\$41.7M (was US\$42.7M), with lower production being partially offset by a higher gold price (Figure 1). We highlight that the combined cash balance of US\$87M (Gran Colombia – US\$73M, Caldas – US\$14M), came in ahead of our estimates, resulting in significant increases to FCF and CFPS estimates for the quarter despite the US\$32M payment for 2019 taxes. However, the change to our estimates mainly relates to the modeled timing of the cash payment for Q2/20 taxes (to be paid in Q2/21) and we have updated our model to better reflect this timing going forward.
- Exploration and financial updates expected in the near-term.** We expect Q2 financial results to show a recovery from the COVID-19 disruption, setting the company up for a strong H2/20. Additionally, we expect exploration results from Segovia to show an extension to the higher-grade zones, which we view as a key to the stock re-rating.

Valuation:

Re-rating likely to be driven by steady operating results and exploration success. We maintain our BUY rating and price target of C\$13.00/sh based on 4.0x our one-year forward, NTM EBITDA estimate of C\$267.9M (unchanged). Gran Colombia trades at 1.6x 2021E EV/EBITDA and 0.42x NAV versus peers at 5.0x and 0.88x, respectively. **Upcoming Catalysts:** 1) Exploration results (ongoing), 2) Q2/20 Financial Results (Q3/20) and 3) Updated Guidance (Q3/20).

Figure 1: Updated Gran Colombia Quarterly Results

	Updated	Previous							
	Q2 2020E	Q2 2020E	Change	Q1 2020A	Q4 2019A	Q3 2019A	Q2 2019A	Q1 2019A	Q4 2018A
Segovia Production (koz)	44.4	45.9	-3%	50.3	58.2	50.5	51.6	54.4	48.8
Marmato Production (koz - 100% basis)	3.9	4.9	-21%	5.9	7.1	6.2	6.3	6.2	6.5
Total Production (koz - 100% basis)	48.2	50.8	-5%	56.2	65.2	56.7	57.9	60.6	55.3
Total Cash Cost (US\$/oz)	\$695	\$695	0%	\$667	\$683	\$684	\$655	\$601	\$692
Gold Price (US/oz)	\$1,725	\$1,700	1%	\$1,587	\$1,487	\$1,479	\$1,312	\$1,305	\$1,225
Revenue (US\$M)	\$82.2	\$85.1	-3%	\$101.0	\$88.5	\$83.0	\$77.6	\$77.4	\$68.2
EPS (US\$/sh)	\$0.28	\$0.29	-4%	\$0.42	-\$2.86	\$0.18	\$0.02	\$0.16	\$0.21
EBITDA (US\$M)	\$41.7	\$42.7	-2%	\$53.4	\$38.8	\$37.9	\$32.1	\$34.3	\$26.2
FCF (CFO+CFI) (US\$M)	-\$7.8	-\$20.9	63%	\$14.3	\$12.6	\$15.1	\$5.0	\$8.6	\$10.9
CFPS (US\$/sh)	\$0.08	-\$0.10	176%	\$0.78	\$0.70	\$0.70	\$0.38	\$0.38	\$0.42
Cash (US\$M)	\$87.1	\$74.0	18%	\$99.7	\$84.2	\$63.3	\$51.3	\$40.2	\$35.6
CAPEX (US\$M)	\$12.6	\$14.6	-14%	\$14.0	\$12.7	\$14.2	\$8.0	\$7.8	\$8.7

Source: RCS Estimates, Company Reports

Financial and Operating Summary: Gran Colombia Gold Corp.

FINANCIAL DATA

Ticker	TSX:GCM
Current Price (C\$/sh)	C\$6.28
52 Week Low / High (C\$/sh)	\$2.88 / \$7.81
Target Price (C\$/sh)	\$13.00
Shares Outstanding (M)	60.8
Market Capitalization (C\$M)	\$381.9
Cash & Cash Equivalents (C\$M)	\$139.6
Total Debt (C\$M)	\$61.4
Enterprise Value (C\$M)	\$303.7

FINANCIAL DATA

Capital Structure	Shares Millions
Shares Outstanding	60.8
Options	1.4
Warrants	22.4
Fully Diluted Shares	84.6

Ownership (May 2019)

	Shares O/S (M)	% O/S
Management	8.7	14.2%
Sprott, Eric Steven	6.1	10.1%
MM Asset Management Inc	5.8	9.5%
Van Eck Associates Corporation	2.5	4.2%
Iacono, Serafino	1.6	2.7%

Financial Summary (US\$)

Year-end December 31st	2018A	2019E	2020E	2021E	2022E	2023E
Shares O/S (M)	48.3	53.6	60.8	60.8	60.8	60.8
EBITDA (US\$M)	\$102	\$143	\$201	\$187	\$173	\$162
FCF (CFO+CFI) (US\$M)	\$32	\$39	\$73	\$12	-\$42	-\$9
EPS (US\$/sh)	-\$0.11	\$0.69	\$1.43	\$1.25	\$1.15	\$0.92
CFPS (US\$/sh)	\$2.02	\$2.16	\$2.44	\$1.76	\$1.59	\$1.58
EV/EBITDA	2.3x	1.6x	1.1x	1.2x	1.3x	1.3x
P/CFPS	2.4x	2.2x	1.9x	2.5x	2.8x	2.8x

Income Statement (US\$M)

	2018A	2019E	2020E	2021E	2022E	2023E
Revenue	281.7	326.4	390.6	411.3	413.8	418.2
Operating Expenses	151.7	157.2	168.0	201.2	220.6	236.0
Depreciation	54.6	32.3	30.8	32.0	35.1	43.7
General & Admin	15.5	22.9	24.9	23.5	20.3	20.5
Net Income	(2.9)	34.8	85.2	76.1	69.7	55.7

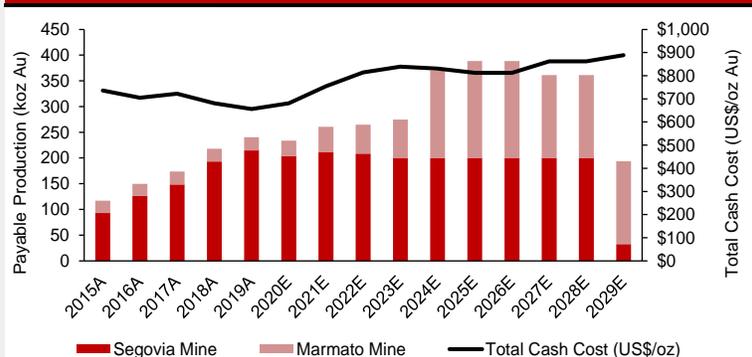
Balance Sheet (US\$M)

	2018A	2019E	2020E	2021E	2022E	2023E
Cash & Equivalents	35.6	84.2	290.7	274.8	184.3	143.4
Debt	86.7	64.8	102.7	82.9	64.8	48.0

Cash Flow (US\$M)

	2018A	2019E	2020E	2021E	2022E	2023E
Operating CF	79.7	103.3	133.0	107.1	96.5	96.1
Financing CF	(7.5)	(3.0)	112.5	(32.0)	(31.3)	(29.0)
Investing CF	(38.8)	(51.6)	(31.8)	(91.0)	(155.7)	(108.1)
Change in Cash	32.4	48.6	206.4	(15.9)	(90.5)	(40.9)

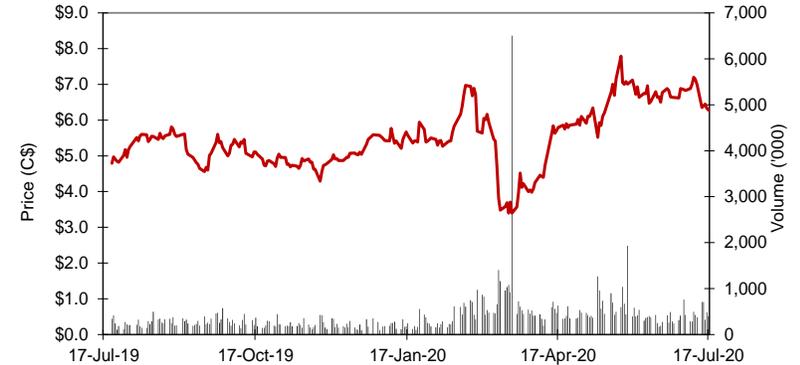
PRODUCTION PROFILE



Priced as of market close on July 17, 2020.

Source: RCS Estimates, Company Reports, Capital IQ, S&P Global Market Intelligence

STOCK CHART



TECHNICAL ASSUMPTIONS

	2018A	2019E	2020E	2021E	2022E	2023E
Gold Price (US\$/oz)	\$ 1,278	\$ 1,396	\$ 1,678	\$ 1,700	\$ 1,700	\$ 1,700
Silver Price (US\$/oz)	\$ 16.53	\$ 16.21	\$ 16.86	\$ 17.00	\$ 17.00	\$ 17.00
Canadian : US\$ exchange rate	\$ 0.77	\$ 0.75	\$ 0.72	\$ 0.71	\$ 0.71	\$ 0.71

RESOURCE ESTIMATE	Tonnes (Mt)	AuEq (g/t)	AuEq (koz)
Segovia	7.07	10.94	2,484
Marmato	93.20	2.84	8,582
Global Resource	100.27	3.41	11,066

RESERVE ESTIMATE	Tonnes (Mt)	AuEq (g/t)	AuEq (koz)
Segovia	1.94	11.00	688
Marmato	-	-	-
Global Reserves	1.94	11.00	688

Segovia (RCKS Mine Model)	5.78	10.69	1,988
Marmato (RCKS Mine Model)	63.00	2.88	5,829

VALUATION

Year	EBITDA (C\$M)	Multiple	Valuation (C\$/sh)
2019 EV/EBITDA	\$190	4.0x	\$9.46
2020 EV/EBITDA	\$277	4.0x	\$13.40
1yr FWD NTM EV/EBITDA	\$268	4.0x	\$12.98
2021 EV/EBITDA	\$261	4.0x	\$12.69
2022 EV/EBITDA	\$242	4.0x	\$11.07

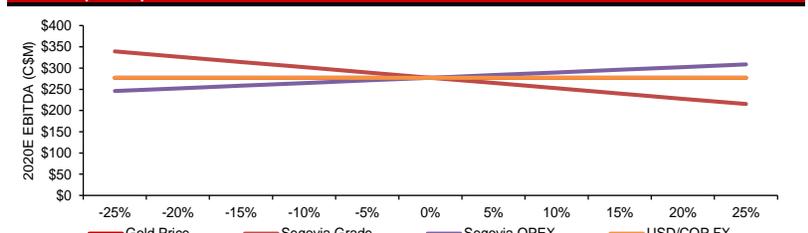
NET ASSET VALUE

	Discount Rate	(C\$M)	(C\$/Sh)
Segovia (100%), Colombia	5%	\$ 1,447	\$ 16.29
Marmato (57.5%), Colombia	5%	\$ 641	\$ 7.22
Taxes	5%	\$ (586)	\$ (6.60)
Other Assets	in-situ	\$ 206	\$ 2.32
Corporate Adjustments	5%	\$ (380)	\$ (4.27)
Total NAV		\$ 1,328	\$ 14.96

COMPARABLES

Company	Ticker	Price C\$	EV/EBITDA FY2020E	EV/EBITDA FY2021E	P/NAV
Pretium Resources Inc.	TSX:PVG	\$11.97	7.4x	6.9x	1.01x
TMAC Resources Inc.	TSX:TMR	\$1.54	3.6x	3.5x	0.47x
Wesdome Gold Mines Ltd.	TSX:WDO	\$14.20	16.2x	10.2x	1.37x
Guyana Goldfields Inc.	TSX:GUY	\$1.79	72.1x	4.4x	1.07x
Torex Gold Resources Inc.	TSX:TXG	\$21.06	3.8x	3.0x	0.74x
Argonaut Gold Inc.	TSX:AR	\$2.50	3.4x	2.1x	0.65x
Average			17.8x	5.0x	0.88x
Gran Colombia Gold Corp.	TSX:GCM	\$6.28	1.5x	1.6x	0.42x

EBITDA (2020E) SENSITIVITIES





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Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Gran Colombia Gold Corp.	TSX: GCM	1,2,3,4
Caldas Gold Corp.	TSXV:CGC	3,4

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