

## Gran Colombia Gold Corp. (TSX:GCM)

### Q4/20 & FY20 Financial Results; Updated Reserves & Resources

## Financial Results

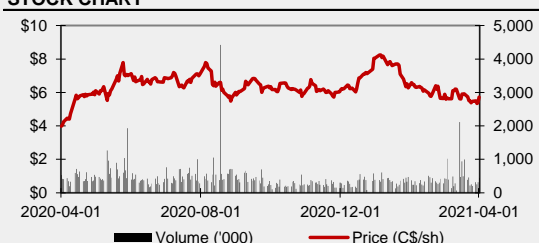
April 5, 2021

(Currency is US\$ unless noted otherwise)

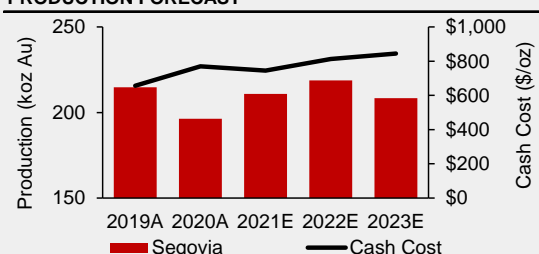
Closing Price (C\$/sh)	\$5.73
Rating	BUY
Target (C\$/sh)	\$17.50
Return to Target	205%
52 Week Low / High (C\$/sh)	\$4.07 / \$8.40
<b>CAPITALIZATION</b>	Basic Diluted
Shares Outstanding (M)	61.8 88.6
Market Capitalization (C\$M)	\$353.9
Enterprise Value (C\$M)	\$260.6
Cash (C\$M)	\$163.3
Debt (C\$M)	\$70.0

<b>FYE: DEC 31</b>	<b>2020A</b>	<b>2021E</b>	<b>2022E</b>
Au Produced ('000's oz)	220	211	219
Cash Costs (\$/oz)	\$770	\$745	\$813
CAPEX (\$M)	\$72	\$42	\$36
Gross Revenue (\$M)	\$390	\$427	\$443
EBITDA (\$M)	\$178	\$245	\$243
CFPS (\$/sh)	\$2.31	\$2.70	\$2.60
EPS (\$/sh)	-\$0.56	\$2.77	\$2.96

#### STOCK CHART



#### PRODUCTION FORECAST



<b>VALUATION</b>	<b>(C\$M)</b>	<b>(C\$/sh)</b>
1yr FWD NTM EV/EBITDA	\$ 299 4.0x	\$15.61
Equity Investments	\$ 207	\$2.55
<b>Sum-of-Parts</b>		<b>\$17.92</b>

<b>RELATIVE VALUATION</b>	<b>2021 EV/EBITDA</b>	<b>P/NAV</b>
Gran Colombia Gold Corp.	0.8x	0.32x
Peers*	4.3x	0.64x

\*S&P Capital IQ

#### MAJOR SHAREHOLDERS

Management (4.49%), MM Asset Management Inc (12.42%), Spratt, Eric (5.4%), Van Eck Associates Corp. (4.57%), Ruffer LLP (2.59%), AGF Management Limited (1.78%), Invesco Ltd. (1.39%)

**DISCLOSURE CODE:** 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. The company also holds a ~44.4% interest in Aris Gold Corp. (TSX:ARIS). Gran Colombia Gold Corp. is headquartered in Toronto, Canada.

#### Impact: Mildly Positive

Gran Colombia (GCM) released its Q4/20 (and FY20) financial results that were a slight miss to our estimates largely due to non-cash losses on derivative financial instruments as well as financing and transaction costs. However, GCM finished 2020 with a strong balance sheet, and is primed to conduct an extensive drill campaign at Segovia ([read more](#)) and complete the Gold X (TSXV:GLDX, Not Rated) acquisition ([read more](#)). The company also released an updated mineral reserve and resource estimate that extended our LOM estimate. **In our view, GCM finished 2020 in a strong financial position and is poised to successfully execute on its Latin American growth vision in 2021.**

- **A strong finish to 2020.** GCM produced 57.3k oz Au in Q4 from both Segovia and Marmato (-3% QoQ, -14% YoY) at total cash costs of \$904/oz Au (+14% QoQ, +32% YoY; RCS Est. \$819/oz). This cost increase was due to an increase in contractor and artisanal payment rates, increased production taxes on a per ounce basis, COVID-related protocols, and lower production on fixed operating costs per ounce. Overall, FY20 production of 220,194 oz was within guidance of 218-226k oz Au. In 2021, we expect GCM to produce 211k oz Au at \$745/oz (guidance of 200-220k oz Au).
- **Solid Q4/20 financial results.** Adjusted Q4/20 EPS was \$0.15, which missed our estimates of \$0.31 due to COVID-19 related operating costs, increased G&A expenses, share-based compensation and social contributions in Aris, increased interest expense, gold premiums and tax expense partially offset by higher Au prices. FY20 adjusted EPS was \$1.28. Q4 revenue was in line with our estimates at \$99.7M (RCS Est. \$102.4M) and adjusted EBITDA was a slight miss at \$43.1M (RCS Est. \$48.4M). For FY20, GCM generated revenue of \$391.0M with adjusted EBITDA of \$187.8M. Full financial results are in Figure 1.
- **Strengthening balance sheet.** GCM's balance sheet remains strong having ended 2020 with cash of \$122.5M and a 48% reduction in the principal amount of Gold Notes outstanding (\$35.5M). We also note that Fitch Ratings upgraded the company to a B+ rating in Q4/20.
- **Upgraded resource extends our LOM estimate.** GCM increased its M&I resources at Segovia to 4M tonnes at 11.2 g/t for 1.4M oz Au (+5%) – Figure 3. It replaced mined resources in 2020 and upgraded ~69k oz of inferred Au to the M&I category. We note that the updated resource increased our modeled LOM for Segovia by one year (to 2030).

#### Valuation:

**We maintain our BUY rating and price target of C\$17.50/sh.** Our target is based on a sum-of-parts valuation comprising 4.0x our NTM EBITDA estimate of C\$299M and GCM's equity investments (C\$196M). GCM trades at a discount to peers at 0.8x 2021E EBITDA and 0.3x NAV (peers at 4.2x and 0.62x, respectively). **Upcoming Catalysts:** 1) Exploration results from drilling (60,000m) at Segovia (ongoing), 2) Q1/21 Production and financial results (Q2/21) and 3) Closing of Gold X transaction (Q2/21).

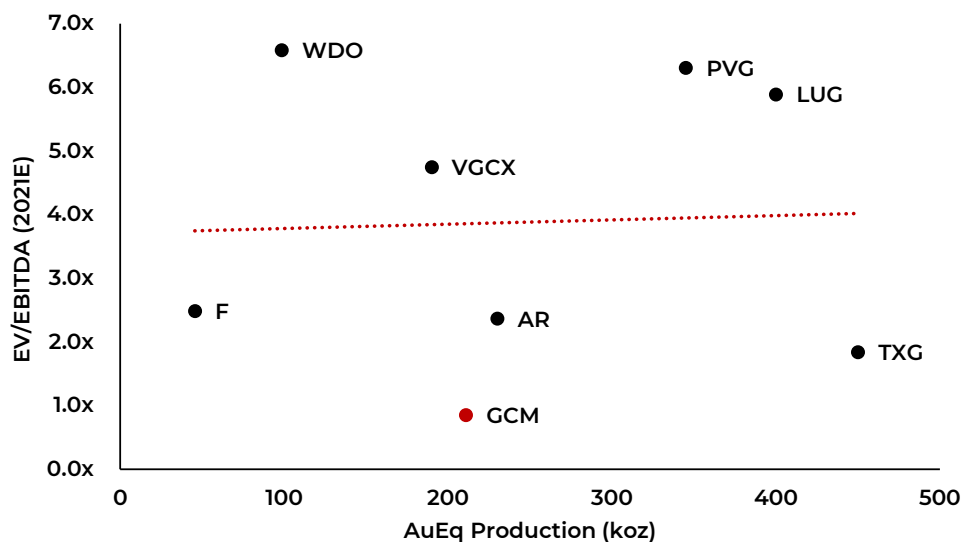
**Figure 1: Gran Colombia Quarterly Estimates**

	Updated Q4 2020A	Previous Q4 2020E	Change	Q3 2020A	Q3 2020A	Q2 2020A	Q1 2020A
Segovia Production (koz)	50.1	50.1	0%	51.6	51.6	44.4	50.3
Marmato Production (koz - 100% basis)	7.2	7.2	0%	6.9	6.9	3.9	5.9
Total Production (koz - 100% basis)	57.3	57.3	0%	58.5	58.5	48.2	56.2
Total Cash Cost (US\$/oz)	\$904	\$819	10%	\$796	\$796	\$713	\$667
Gold Price (US/oz)	\$1,877	\$1,877	0%	\$1,928	\$1,928	\$1,725	\$1,587
Revenue (US\$M)	\$99.7	\$102.4	-3%	\$113.1	\$113.1	\$77.1	\$101.0
EPS (US\$/sh)	-\$0.59	\$0.31	-292%	\$0.39	\$0.39	-\$0.27	\$0.42
EBITDA (US\$M)	\$38.4	\$48.4	-21%	\$55.8	\$55.8	\$31.4	\$52.7
FCF (CFO+CFI) (US\$M)	\$2.0	\$63.4	-97%	\$41.9	\$41.9	-\$7.2	\$14.8
CFPS (US\$/sh)	\$0.59	\$0.72	-17%	\$0.90	\$0.90	\$0.03	\$0.79
Cash (US\$M)	\$122.4	\$277.8	-56%	\$140.4	\$140.4	\$90.0	\$100.4
CAPEX (US\$M)	\$23.7	-\$19.4	-222%	\$14.3	\$14.3	\$10.8	\$14.0

\*estimates assume 100% consolidation of Aris Gold Corp. in Gran Colombia's financials

Source: RCS Estimates, Company Reports

**Figure 2: EV/EBITDA (2021E) vs. 2021E AuEq Production (koz)**



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

**Figure 3: Updated mineral resource estimate for Segovia (December 31<sup>st</sup>, 2020)**

Project	Deposit	Type	Measured			Indicated			Measured & Indicated			Inferred		
			Tonnes (kt)	Grade (g/t)	Au Metal (koz)	Tonnes (kt)	Grade (g/t)	Au Metal (koz)	Tonnes (kt)	Grade (g/t)	Au Metal (koz)	Tonnes (kt)	Grade (g/t)	Au Metal (koz)
Segovia	Providencia	LTR	218	18.5	130	237	14.9	114	455	16.6	243	171	9.9	55
		Pillars	109	22.3	78	99	10.2	32	208	16.5	110	384	19.8	245
	Sandra K	LTR				413	10.0	132	413	10.0	132	384	9.9	122
		Pillars				156	11.1	56	156	11.1	56	17	27.5	15
	El Silencio	LTR				1,277	9.8	404	1,277	9.8	404	1,279	9.0	371
		Pillars				1,326	10.6	454	1,326	10.6	454	395	11.4	145
	Verticales	LTR										771	7.1	176
	Subtotal Segovia Project	LTR	218	18.5	130	1,927	10.5	650	2,145	11.3	780	2,605	8.6	724
		Pillars	109	22.3	78	1,581	10.7	542	1,690	11.4	620	796	15.8	405
Carla	Subtotal Carla Project	LTR				132	6.0	25	132	6.0	25	260	9.7	81
December 31, 2020 (1)			327	19.8	208	3,639	10.4	1,217	3,967	11.2	1,425	3,661	10.3	1,209
December 31, 2019 (2)			226	20.8	151	3,385	11.1	1,205	3,611	11.7	1,356	4,098	9.6	1,265
% Change vs previous			45%	-5%	38%	8%	-6%	1%	10%	-4%	5%	-11%	7%	-4%

Source: Company Reports

**Figure 4: Updated mineral reserve estimate for Segovia (December 31<sup>st</sup>, 2020)**

Area	Category	Tonnes (kt)	Grade (g/t)	Au Metal (koz)
Providencia	Proven	187	13.9	83
Providencia	Probable	176	10.4	59
Sandra K	Probable	273	9.1	79
El Silencio	Probable	1,472	8.3	394
Carla	Probable	88	6.3	18
December 31, 2020 (1)	Total	2,196	9.0	633
December 31, 2019 (2)	Total	1,985	10.5	670
% Change vs previous		11%	-14%	-6%

Source: Company Reports

## Financial and Operating Summary: Gran Colombia Gold Corp.

### FINANCIAL DATA

<b>Ticker</b>	<b>TSX:GCM</b>
<b>Current Price (C\$/sh)</b>	<b>\$5.73</b>
<b>Rating</b>	<b>BUY</b>
<b>Target Price (C\$/sh)</b>	<b>\$17.50</b>
<b>Return to Target</b>	<b>205%</b>
<b>52 Week Low / High (C\$/sh)</b>	<b>\$4.07 / \$8.40</b>
<b>Shares Outstanding (M)</b>	<b>61.8</b>
<b>Market Capitalization (C\$M)</b>	<b>\$353.9</b>
<b>Cash &amp; Cash Equivalents (C\$M)</b>	<b>\$163.3</b>
<b>Total Debt (C\$M)</b>	<b>\$70.0</b>
<b>Enterprise Value (C\$M)</b>	<b>\$260.6</b>

### FINANCIAL DATA

Capital Structure	Shares Millions
Shares Outstanding	61.8
Options	1.7
Warrants	21.0
Convertible Debentures	4.21
Fully Diluted Shares	88.6

Ownership	Shares O/S (M)	% O/S
Management	2.8	4.5%
MM Asset Management Inc	7.7	12.4%
Van Eck Associates Corporation	2.8	4.6%
Iacono, Serafino	1.7	2.7%
Ruffer LLP	1.6	2.6%

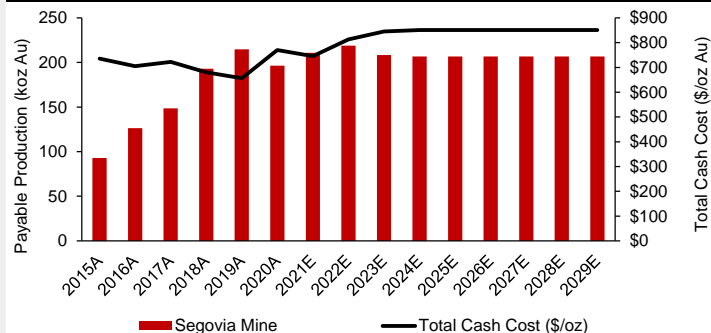
Financial Summary	2019A	2020A	2021E	2022E	2023E	2024E
Year-end Dec 31st						
Shares O/S (M)	53.6	61.8	61.8	61.8	61.8	61.8
EBITDA (\$M)	\$143	\$178	\$245	\$243	\$224	\$221
FCF (CFO+CFI) (\$M)	\$52	\$64	\$124	\$124	\$108	\$118
EPS (\$/sh)	\$0.69	-\$0.42	\$2.08	\$2.22	\$1.98	\$1.99
CFPS (\$/sh)	\$2.16	\$2.31	\$2.70	\$2.60	\$2.33	\$2.50
EV/EBITDA	1.4x	1.1x	0.8x	0.8x	0.9x	0.9x
P/CFPS	2.0x	1.9x	1.6x	1.7x	1.8x	1.7x

Income Statement (\$M)	2019A	2020A	2021E	2022E	2023E	2024E
Revenue	326.4	390.3	426.8	443.1	422.2	419.1
Operating Expenses	157.2	179.1	162.1	182.3	181.6	181.5
Depreciation	32.3	24.9	32.0	24.9	28.8	34.3
General & Admin	22.9	23.5	20.0	17.5	16.7	16.6
Net Income	34.8	(27.6)	128.3	137.1	122.5	123.0

Balance Sheet (\$M)	2019A	2020A	2021E	2022E	2023E	2024E
Cash & Equivalents	84.2	122.4	205.1	300.8	403.6	513.3
Debt	85.9	52.5	26.8	11.5	14.0	0.2

Cash Flow (\$M)	2019A	2020A	2021E	2022E	2023E	2024E
Operating CF	103.3	136.3	166.7	160.7	144.0	154.7
Financing CF	(3.0)	(23.6)	(41.6)	(28.6)	(5.0)	(8.6)
Investing CF	(51.6)	(72.3)	(42.4)	(36.5)	(36.3)	(36.3)
Change in Cash	48.6	38.2	82.7	95.7	102.8	109.8

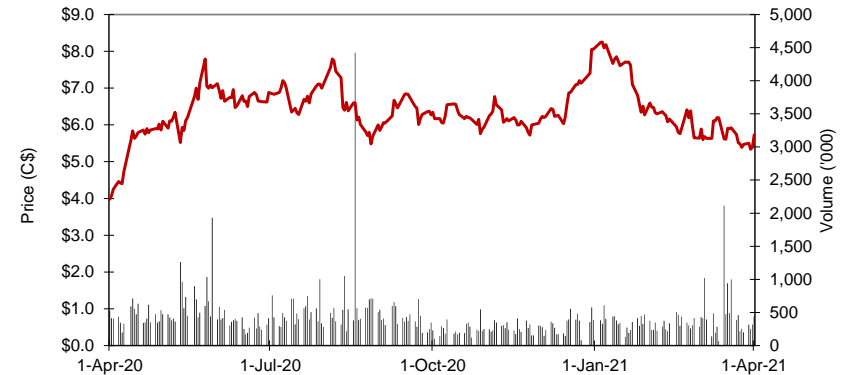
### PRODUCTION PROFILE



Priced as of market close on April 1, 2021.

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

### STOCK CHART



### TECHNICAL ASSUMPTIONS

	2019A	2020A	2021E	2022E	2023E	2024E
Gold Price (\$/oz)	\$ 1,396	\$ 1,779	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Silver Price (\$/oz)	\$ 16.21	\$ 19.60	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Canadian : US\$ exchange rate	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75

RESOURCE ESTIMATE	Tonnes (Mt)	AuEq (g/t)	AuEq (koz)
Segovia	7.63	10.77	2,634

RESERVE ESTIMATE	Tonnes (Mt)	AuEq (g/t)	AuEq (koz)
Segovia	2.20	9.00	633

Segovia (RCS Mine Model)	6.63	10.19	2,171
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### VALUATION

Year	EBITDA (C\$M)	Multiple	Valuation (C\$/sh)
2019 EV/EBITDA	\$190	4.0x	\$10.26
2020 EV/EBITDA	\$238	4.0x	\$12.62
1yr FWD NTM EV/EBITDA	\$299	4.0x	\$15.61
2021 EV/EBITDA	\$326	4.0x	\$16.97
2022 EV/EBITDA	\$324	4.0x	\$16.32

### SUM-OF-PARTS VALUATION

	Valuation (C\$/sh)
1yr FWD NTM EV/EBITDA	\$15.61
Equity Investments	\$2.31
<b>Total</b>	<b>\$17.92</b>

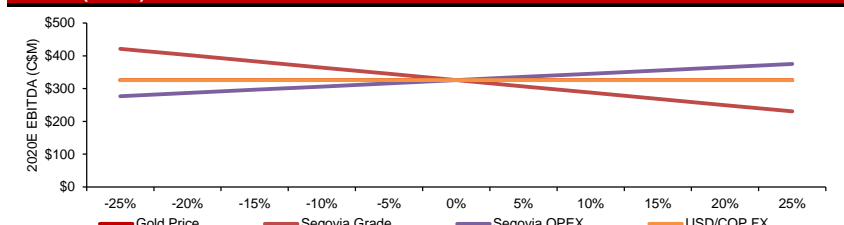
### NET ASSET VALUE

	Discount Rate	(C\$M)	(C\$/Sh)
Segovia (100%), Colombia	5%	\$ 2,025	\$ 24.90
Taxes	5%	\$ (569)	\$ (7.00)
Other Assets	in-situ	\$ 274	\$ 3.37
Corporate Adjustments	5%	\$ (361)	\$ (4.44)
Dividend Adjustment	5%	\$ 80	\$ 0.99
<b>Total NAV</b>		<b>\$ 1,449</b>	<b>\$ 17.81</b>

### COMPARABLES

Company	Ticker	Price C\$	EV/EBITDA FY2021E	EV/EBITDA FY2022E	P/NAV
Pretium Resources Inc.	TSX:PVG	\$13.77	6.3x	5.6x	0.89x
Fiore Gold Ltd.	TSXV:F	\$1.13	2.5x	2.1x	0.39x
Wesdome Gold Mines Ltd.	TSX:WDO	\$8.69	6.6x	3.4x	0.78x
Lundin Gold Inc.	TSX:LUG	\$10.43	5.9x	5.0x	0.89x
Argonaut Gold Inc.	TSX:AR	\$2.35	2.4x	2.0x	0.41x
Victoria Gold Corp.	TSX:VGCX	\$13.09	4.7x	NA	0.61x
Average			4.3x	3.3x	0.64x
<b>Gran Colombia Gold Corp.</b>	<b>TSX:GCM</b>	<b>\$5.73</b>	<b>0.8x</b>	<b>0.9x</b>	<b>0.32x</b>

### EBITDA (2021E) SENSITIVITIES





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Disclosure Statement

Updated April 1, 2021

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target C\$/sh	Status	%
2020-01-15	NA	10.00	BUY	48%
2020-02-07	BUY	10.00	BUY (S)	12%
2020-02-21	BUY	10.00	HOLD	0%
2020-02-25	BUY	10.00	SELL / Tender	0%
2020-03-03	BUY	10.00	NA	6%
2020-03-16	BUY	10.00	Under Review	34%
2020-04-01	BUY	10.00		
2020-04-15	BUY	10.00		
2020-04-16	BUY	14.00		
2020-05-12	BUY	14.00		
2020-05-19	BUY	14.00		
2020-05-25	BUY	14.00		
2020-06-17	BUY	14.00		
2020-07-07	BUY	13.00		
2020-07-14	BUY	13.00		
2020-07-20	BUY	13.00		
2020-07-21	BUY	13.00		
2020-07-22	BUY	13.00		
2020-08-17	BUY	13.00		
2020-10-14	BUY	13.00		
2020-10-22	BUY	13.00		
2020-10-29	BUY	16.50		
2020-11-13	BUY	16.50		
2020-12-22	BUY	16.50		
2021-01-14	BUY	16.50		
2021-02-08	BUY	17.50		
2021-02-24	BUY	17.50		
2021-03-08	BUY	17.50		
2021-03-16	BUY	17.50		

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#### Company Specific Disclosure Details

Company Name	Ticker Symbol	Disclosures
Gran Colombia Gold Corp.	TSX:GCM	3,4

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- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

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