

Gold Resource Corp

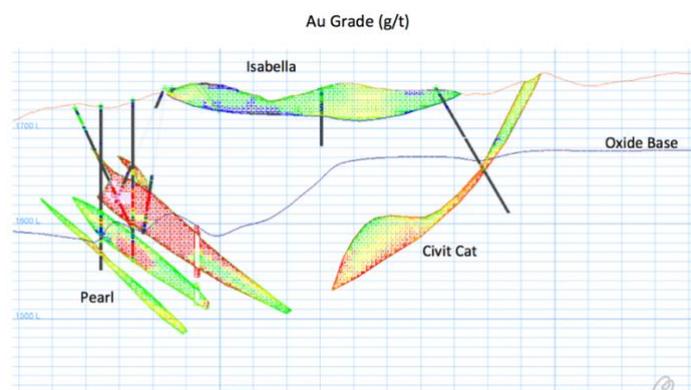
Precious Metals & Mining

3Q Financials Confirm Excellent Progress

Gold Resource Corp announced a good set of 3Q financials earlier this week. Earnings came in at \$0.05 per share for the quarter and Net Cash and Cash Equivalents amounted to US\$12million at quarter-end (September 30th, 2019). The cash flow statement seems to confirm that **excellent progress** is being made. Net Cash provided by Operating Activities expanded from US\$1.1million over the 6-month period to June 30th to US\$7.8million over the 9-month period to September 30th.

In Q1 and Q2, we saw an expansion of working capital requirements, particularly inventory, which impacted net cash provided by operating activities over the first 6 months of 2019. This was understandable due to the ramp up of Isabella Pearl. These latest financials showed that net inventory levels dropped from US\$26.5million (June 30th, 2019) to US\$24.1million (September 30th, 2019) suggesting a reduction of working capital requirements.

Interestingly, on the 3Q Conference Call, Jason Reid (CEO) made the point that **“80% of Isabella Pearl’s resource resides in the Pearl ore body”** where grades are approximately 4 g/t gold. He highlighted that the deep high-grade in the Pearl is expected to be reached “mid-next year”. The following figure from the Isabella Pearl technical report shows a cross-section of the project, showing the Pearl ore-body on the left.



With commercial production announced at Isabella Pearl and the high-grade gold still to be mined, we expect significant cash-flows going forward. We reiterate our positive outlook for Gold Resource Corp with a fair value estimate of US\$8.47.

Gold Resource Corp

Ticker: GORO US
Share Price: US\$4.38
Market cap: US\$287m
Cash: US\$8.8m, (Sept. 30, 2019)
Gold & silver bullion: US\$4.2m
Debt: US\$1m, (Sept. 30, 2019)
Enterprise Value: US\$275m
Shares Outstanding: 65.7m
Options: 4.7m
Fully Diluted: 70.5m
CEO: Jason Reid
Fair Value: US\$8.47



Prices as of the close of business
31st October 2019

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