



## Victoria Gold

VGCX-TSX

Rating  
**Outperform**

Price: Jan-5  
**\$12.82**

Target  
**\$21.00**

Total Rtn  
**64%**

## Strong Q4 for Eagle

### Bottom Line:

Victoria Gold announced Q4 production this morning of 42koz slightly better than our expectation of 39.5koz. The company also exceeded H2 guidance of 72-77,000oz with 77,748oz produced. Notable in the press release is the strong stacking performance in December of over 1mm tonnes, which approached half of the tonnes stacked in the quarter – this suggests materials handling challenges from earlier parts of 2020 have been at least partially resolved.

### Key Points

Victoria delivered increasing production quarter on quarter in 2020 showing significant improvements in Q4. A few highlights:

- Q4 production of 42koz is 7koz ounces stronger than Q3 and importantly approaching the roughly 50koz per quarter design capacity for the mine.
- The company exceeded H2 guidance (since starting commercial production) of 72-77koz.

As we have highlighted in previous reports on Victoria, in our opinion stacking rates for heap leach mines are the best measure of performance especially during the ramp up phase. Victoria highlighted in their press release that they stacked in excess of 1mmt to the heap leach in December representing much stronger staking rates than previously delivered:

- December staking rates exceeded 32,000tpd, which is approaching design levels. This also suggests that the materials handling challenges with chutes, liners, and conveyors that held back production most of 2020 appears to have been at least partially resolved.
- Significant stacking late in Q4 also sets the company up well for Q1 when stacking is not carried out in the coldest months of the year.

The press release indicates that the mine has stopped stacking to the heap leach as previously planned and guided for the coldest winter months. Depending on temperature, stacking will likely restart in March. Mining, crushing, and stockpiling will continue during the winter months. Management commented that they will use the shutdown of the secondary crushing and stacking systems to finalize optimization programs previously disclosed.

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## Company Description

Victoria Gold is in ramp-up of the Eagle Gold mine in the Yukon toward H2/20 guidance of 72,000-77,000oz at an AISC between US\$1,175 and US\$1,275/oz. The December 2019 feasibility defined a +210,000oz/year production capacity at a low all-in sustaining cost of <US\$800/oz.



VGCX-TSX  
Research

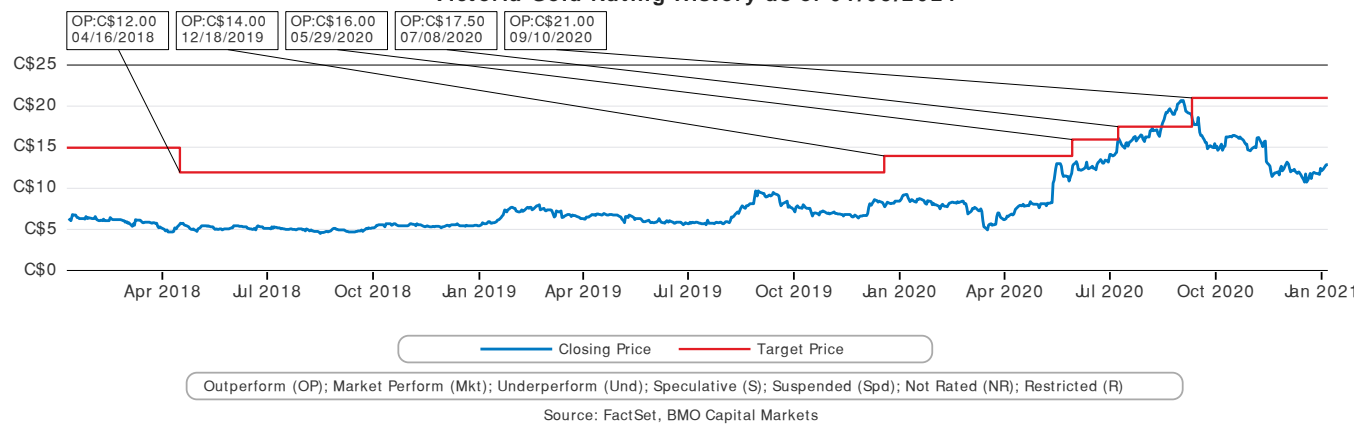


Glossary



Company  
Models

**Victoria Gold Rating History as of 01/05/2021**



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**Methodology and Risks to Target Price/Valuation for Victoria Gold (VGCX-TSX)**

**Methodology:** Our target is based on a NAV valuation directly reflecting the updated feasibility results from December 2019 and reflecting construction activities completed in October. We model \$75mm of exploration upside to reflect a portion of the value from zones not included in the current mine plan below the pit or in satellites. We use a P/NAV target setting multiple in line with financed peers.

**Risks:** The largest risk exposure for Eagle project is in ramp-up and execution; Eagle has advantages of road and power infrastructure in place to minimize any unexpected issues. Financing risk has been reduced, with a financing package delivered. Jurisdictional, technical, and metallurgical risk are low due to the extensive technical work backing up the recent feasibility update and the mining-friendly jurisdiction of the Yukon.

**Distribution of Ratings (January 05, 2021)**

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
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Hold	Market Perform	48.9 %	22.0 %	43.6 %	46.9 %	41.0 %	37.5%
Sell	Underperform	2.4 %	25.0 %	2.4 %	2.2 %	1.4 %	4.8%

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~ As of April 1, 2019.

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