



## FIRST LOOK March 24, 2021

### VICTORIA GOLD CORP (TSX-VGCX) C\$12.74

**RATING: BUY**  
(unchanged)

**TARGET: C\$23.00**  
(unchanged)

## Prepare for Lift Off: Q4/20 Financials Beat, Teething Problems Sorted

**EVENT:** Victoria Gold released their Q4/20 financial results well ahead of our estimates.

**IMPACT: Positive.** With VGCX's stock taking a double hit from a combination of operational challenges revealed in Q3/20 reporting and declining gold prices since late 2020, we view the company's Q4/20 results as a turning point that should remind the market of Eagle's potential to be a top-tier asset capable of delivering +200K oz of annual production at AISC's below US\$1,000/oz (LOM). During the quarter, the company reported cash operating costs of US\$777/oz and AISC of US\$1,120/oz, which were well below our estimates of US\$952/oz and US\$1,290/oz, respectively. With the work to resolve production bottlenecks now complete, we await the results of winter leaching performance which is the final unknown in Eagle's ramp-up journey.

### HIGHLIGHTS:

- **Q4/20 Financials Beat:** VGCX delivered CFPS (ex. WC) of C\$0.76, beating our estimate of C\$0.41 and consensus of C\$0.58. Adjusted EPS of C\$0.66 was well ahead of our estimate of C\$0.21 and consensus of C\$0.13 (see Exhibit 1).
- **De-bottlenecking Complete:** The Company undertook a number of de-bottlenecking efforts throughout Q4/20 and into Q1/21 to increase the reliability of the processing circuit and alleviate the 'teething pains' that plagued Q3/20. The main improvements include redesigned feed chutes and wear liners to reduce maintenance downtime, and increased horsepower on the grasshopper conveyors to increase capacity (and therefore production). These efforts are now complete, and the increased sustaining capital spend has been reflected in this quarter's AISC figure (which met revised guidance) and will impact Q1/21 AISC as well.
- **Our Expectations for 2021 and 2022:** With the efforts to resolve production bottlenecks stretching into Q1/21 coupled with the unknown leaching performance through Eagle's first winter of commercial production, we view 2021 as a continuation of the ramp-up to the mine's full production potential. We currently estimate 2021 production of ~165K oz Au at AISC of US\$1,152/oz; with production lower and costs higher than the company's guidance, we will re-evaluate based on Q1/21 operational performance (see [2021 Guidance: Setting the Stage for a Stronger Year](#)). We view 2022 as a breakthrough year when Eagle's full potential can be realized, with production of over 215K oz Au and a significant improvement in AISC (to US\$782/oz) resulting from the higher spend on one-time items in 2021.
- **Conference Call:** Today at 9am PST (12pm EST). Dial in: (833) 670-0707.

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### Company Statistics

Risk:	SPECULATIVE
52-week High/Low:	C\$21.04 / C\$5.50
Shares Out. (basic):	61.8M
Shares Out. (fd):	65.1M
Market Cap:	C\$856M
Return:	80.5%
Cash (C\$):	\$40.0M
Debt (C\$):	\$282.9M
Working Capital (C\$):	\$(7)M
Long Term Debt (C\$):	\$230M
Enterprise Value (C\$):	\$1,129M

All figures in C\$ unless otherwise noted.

### Valuation Summary

Our C\$23.00 target is derived by applying a 50/50 weighting on 1.1x NAV and a 12x NTM CFPS estimate. Our target price implies a 1.13x Adj. P/NAV multiple (assuming \$1,800/oz Au long term), which we feel is justified given VGCX's ramp up to full steady-state production at their 100% owned Eagle Mine.



PI Financial Corp. and/or its affiliates have received compensation for investment banking services for Victoria Gold Corp over the preceding 12-month period.

A Disclosure fact sheet is available on Page 3 of this report.

**Exhibit 1 - Quarterly Results vs. PI Estimates**

	Quarterly Summary			Q/Q		Y/Y	
	4Q20E	4Q20A	Delta	3Q20A	% Δ	4Q19A	% Δ
<b>Financials Metrics (C\$ 000s)</b>							
Revenue	95,081	98,222	3,140	80,526	22%	0	0%
Cost of Sales	45,810	40,929	-4,880	34,375	19%	0	0%
Operating Profit	36,828	43,160	6,331	33,155	30%	0	0%
Depreciation	12,443	14,132	1,689	12,996	9%	0	0%
G&A	11,416	3,293	-8,124	1,522	116%	1,071	207%
Adj. Earnings	13,646	42,195	28,548	29,355	44%	496	
Adj. EPS	0.21	0.66	0.45	0.45	45%	0.01	
Operating Cash Flow (excl. WC)	26,590	48,871	22,281	30,724	59%	-1,749	
CFPS (excl. WC)	0.41	0.76	0.35	0.47	61%	-0.03	
Working Capital	-9,747	25,370	35,117	-6,514		-54,710	
<b>Eagle</b>							
Heap Throughput (tpd)*	25,000	25,180	180	20,793	21%	10,000	152%
Tonnes Stacked (k tonnes)*	2,300.0	2,316.5	16.5	1,913.0	21%	310.0	647%
Stacked Gold Grade (g/t)*	0.81	0.81	0.00	0.86	-6%	0.81	0%
Gold Recovery (%)*	67%	66%	0%	67%	-1%	70%	-5%
Gold Production (koz)*	42	42	0	35	20%	6	583%
Gold Sales (koz)	42.4	40.0	(2.4)	32.0	25%	5.6	609%
Cash Operating Costs (US\$/oz Au)	\$952	\$777	(\$175)	\$804	-3%	\$717	8%
AISC (US\$/oz Au)	\$1,290	\$1,120	(\$170)	\$1,315	-15%	\$0	0%

\* Denotes previously reported values

Source: Victoria Gold Corp., PI Financial Corp.

## Disclosure Fact Sheet

### Ratings

**BUY** : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

**NEUTRAL** : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

**SELL** : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.

**U/R** : Under Review

**N/R** : No Rating

**TENDER**: Investors are guided to tender to the terms of the takeover offer. Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

### Price Volatility/Risk

**SPECULATIVE** : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

**ABOVE AVERAGE** : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

**AVERAGE** : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

### Analyst Certification

We, Justin Stevens and Chris Thompson, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report. We are the research analysts primarily responsible for preparing this report.

### Research Disclosures

Company	Disclosure
Victoria Gold Corp	3, 4, 5, 9

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9. Company has partially funded previous analyst visits to its projects.

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
Thompson, Chris	Victoria Gold Corp	Management Review	Vancouver, BC	03/01/21
Recommendations	Number of Recommendations		Percentage	
BUY	60		77.92%	
NEUTRAL	7		9.09%	
SELL	0		0.00%	
UNDER REVIEW	10		12.99%	
N/R	0		0.00%	
TENDER	0		0.00%	
<b>TOTAL</b>	<b>77</b>			

## Stock Rating and Target Changes

For reports that cover more than six subject companies, the reader is referred to our corporate web site for information regarding stock ratings and target changes. [www.pifinancial.com](http://www.pifinancial.com) (Research: Research and Conflict Disclosure).



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