

Recommendation: **Buy**  
Target Price: **C\$24.00**

Current Price	C\$12.73	Shares Outstanding (MM)	
52 Wk High	C\$21.04	Basic	62.1
52 Wk Low	C\$6.10	Diluted	66.0
Cash (MM)	C\$56.1	Mgmt. & Dir.	0.6
Debt (MM)	C\$264.7		
NAVPS	C\$24.00	Market Cap.	C\$791.1
P/NAV	0.53x	EV	C\$999.7
NAV (spot)*	C\$20.65		
P/NAV (spot)*	0.62x	Reserves	3.26 MMoz
Target Return	88.5%	Total Resource	5.30 MMoz

Assumes FYE Dec. 31		2019A	2020A	2021E
Production (000 oz)	Q1	0	11	25
	Q2	0	28	40
	Q3	0	35	55
	Q4	17	42	65
	FY	17	117	185
AISC (\$/oz)	FY	n/a	\$1,209	\$1,092
	Q1	C\$(0.18)	C\$0.01	C\$0.03
	Q2	C\$0.05	C\$0.01	C\$0.36
	Q3	C\$(0.02)	C\$0.39	C\$0.70
	Q4	C\$0.06	C\$0.49	C\$0.85
EPS, adj.	FY	C\$(0.07)	C\$0.92	C\$1.94
	Q1	C\$(0.07)	C\$(0.04)	C\$0.23
	Q2	C\$(0.03)	C\$(0.04)	C\$0.64
	Q3	C\$0.07	C\$0.50	C\$1.08
	Q4	C\$(0.07)	C\$0.79	C\$1.28
P/E	FY	C\$(0.09)	C\$1.24	C\$3.23
	Q1	n/a	13.9x	6.6x
	Q2	C\$(0.07)	C\$(0.04)	C\$0.23
	Q3	C\$(0.03)	C\$(0.04)	C\$0.64
	Q4	C\$0.07	C\$0.50	C\$1.08
CFPS, adj.	FY	C\$(0.09)	C\$1.24	C\$3.23
	Q1	C\$(0.07)	C\$(0.04)	C\$0.23
	Q2	C\$(0.03)	C\$(0.04)	C\$0.64
	Q3	C\$0.07	C\$0.50	C\$1.08
	Q4	C\$(0.07)	C\$0.79	C\$1.28
P/CF	FY	C\$(0.09)	C\$1.24	C\$3.23
	Q1	n/a	10.2x	3.9x
	Q2	C\$(0.03)	C\$(0.04)	C\$0.64
	Q3	C\$0.07	C\$0.50	C\$1.08
	Q4	C\$(0.07)	C\$0.79	C\$1.28
FCF	FY	C\$(203)	C\$20	C\$116
	Q1	n/a	2.5%	14.7%
	Q2	C\$(0.03)	C\$(0.04)	C\$0.64
	Q3	C\$0.07	C\$0.50	C\$1.08
	Q4	C\$(0.07)	C\$0.79	C\$1.28
FCF Yield	FY	C\$(203)	C\$20	C\$116
	Q1	n/a	2.5%	14.7%
	Q2	C\$(0.03)	C\$(0.04)	C\$0.64
	Q3	C\$0.07	C\$0.50	C\$1.08
	Q4	C\$(0.07)	C\$0.79	C\$1.28

\* Cormark deck is \$1,900/oz; spot gold is \$1,734/oz

### Company Description:

Victoria Gold is a single asset producer that operates the 100%-owned Eagle Gold Mine in the Yukon. Eagle poured its first gold in Q3/19 and achieved commercial production on July 1, 2020.

## Victoria Gold Corp.

(VGCX-TSX)

### Solid Q4/20 Financials

Unless otherwise denoted, all figures shown in US\$

#### Event:

Q4/20 financial results (production and 2021 guidance pre-reported)

#### Impact:

Neutral

#### Commentary:

Victoria reported Q4/20 EPS of C\$0.89 and we calculate an adjusted EPS of C\$0.49 (excluding currency and derivative gains) which was well above our C\$0.26 estimate and consensus of C\$0.13, primarily due to lower depreciation and G&A expenses. CFPS of C\$0.79 was also above our C\$0.66 estimate and consensus of C\$0.58. FCF of C\$13 MM was lower than our C\$28 MM estimate owing to a C\$9 MM outflow to working capital and capex of \$22 MM that was above our \$13 MM estimate.

Cash costs of \$777/oz and AISC of \$1,120/oz were in line with our estimates of \$809/oz and \$1,111/oz, respectively. This brought H2/20 AISC to \$1,206/oz which was in line with Management's guidance of \$1,175-\$1,275/oz.

Victoria maintained 2021 production at 180,000-200,000 oz at AISC of \$1,050-1,175/oz (note [HERE](#)). Sustaining capital guidance of \$47 MM was maintained and we note that sustaining capital in 2021 will be high relative to future years due to one-time expenditures for a truck shop (\$8 MM) and a water treatment plant (\$11 MM). The company did increase growth/exploration capex marginally to \$10 MM from \$8 MM.

Cash increased to C\$56 MM (from C\$40 MM at the end of Q3/20) while total debt stood at C\$265 MM (from C\$282 MM at the end of Q3/20). Recall that Victoria entered into a credit agreement with a syndicate of banks for a \$200 MM debt facility in December 2020 (currently \$25 MM available on the RCF component). This extinguished Victoria's old project financing facility and resulted in an interest rate of 300-400 bps over LIBOR versus a blended rate of 585 bps over LIBOR on the old debt facility (~C\$6-7MM in annual savings based on the current debt load).

Victoria pre-reported Q4/20 production at 42,436 oz (note [HERE](#)), a 20% increase from the 35,312 oz produced in Q3/20. The 77,748 oz produced in H2/20 is above Victoria's revised guidance of 72,000-77,000 oz for the first six months of commercial production (declared on July 1). Production for 2020, including pre-commercial production, was 116,644 oz.

#### Investment Conclusion:

Victoria remains an undervalued single asset producer in Canada. We have the shares trading at just 0.53x NAV (0.62x at spot) and we expect C\$116 MM of FCF in 2021 which would represent an FCF yield of 15% (at spot gold the FCF would be C\$97 MM and yield would be 12%). We believe a re-rate is likely if Victoria can deliver in its first full year of commercial production.

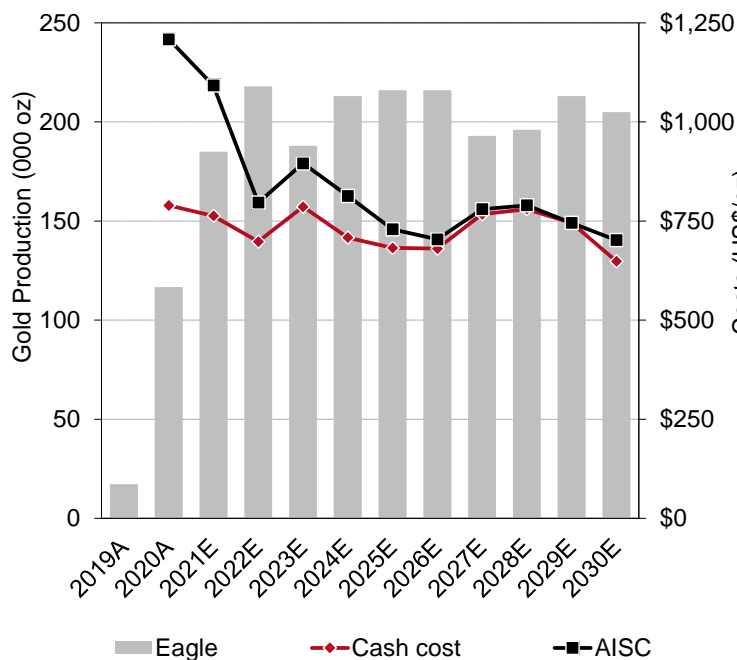
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Figure 1: Quarterly Results & Estimate Changes

		Q4/19A	Q1/20A	Q2/20A	Q3/20A	Q4/20A	2019A	2020A	2021E	2022E	2023E
<b>UPDATED</b>											
Gold production	000 oz	17.2	10.6	28.3	35.3	42.4	17.2	116.6	185.0	218.0	188.0
Cash costs	\$/oz	\$0	\$0	\$0	\$804	\$777	\$0	\$789	\$763	\$698	\$786
AISC	\$/oz	\$0	\$0	\$0	\$1,315	\$1,120	\$0	\$1,209	\$1,092	\$796	\$896
Adjusted EPS	\$/share	\$0.06	\$0.01	\$0.01	\$0.39	\$0.49	(\$0.07)	\$0.92	\$1.94	\$3.34	\$2.38
Adjusted CFPS	\$/share	(\$0.07)	(\$0.04)	(\$0.04)	\$0.50	\$0.79	(\$0.09)	\$1.24	\$3.23	\$4.87	\$3.67
Capital spending	C\$ MM	\$27.3	\$8.2	\$5.6	\$44.1	\$22.4	\$298.2	\$80.3	\$73.1	\$27.5	\$26.4
Free cash flow	C\$ MM	\$59.6	(\$5.8)	(\$8.7)	\$21.5	\$12.8	(\$202.5)	\$19.7	\$116.3	\$266.2	\$195.8
<b>PREVIOUS</b>											
Gold production	000 oz	17.2	10.6	28.3	35.3	42.4		116.6	185.0	218.0	188.0
Cash costs	\$/oz	\$0	\$0	\$0	\$804	\$809		\$807	\$763	\$698	\$786
AISC	\$/oz	\$0	\$0	\$0	\$1,315	\$1,111		\$1,204	\$1,092	\$796	\$896
Adjusted EPS	\$/share	\$0.06	\$0.01	\$0.01	\$0.39	\$0.26		\$0.69	\$1.94	\$3.34	\$2.38
Adjusted CFPS	\$/share	(\$0.07)	(\$0.04)	(\$0.04)	\$0.50	\$0.66		\$1.11	\$3.23	\$4.87	\$3.67
Capital spending	C\$ MM	\$27.3	\$8.2	\$5.6	\$44.1	\$12.5		\$74.8	\$70.5	\$27.5	\$26.4
Free cash flow	C\$ MM	\$59.6	(\$5.8)	(\$8.7)	\$21.5	\$28.3		\$35.3	\$116.8	\$266.2	\$195.8

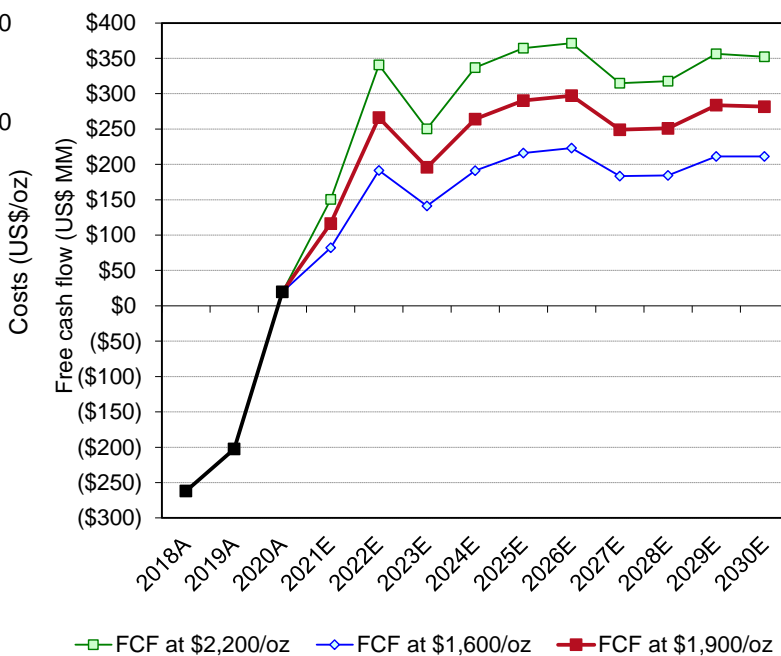
Source: Cormark Securities Inc.

Figure 2: Production & Cost Profile



Source: Cormark Securities Inc.

Figure 3: Free Cash Flow Profile



Source: Cormark Securities Inc.

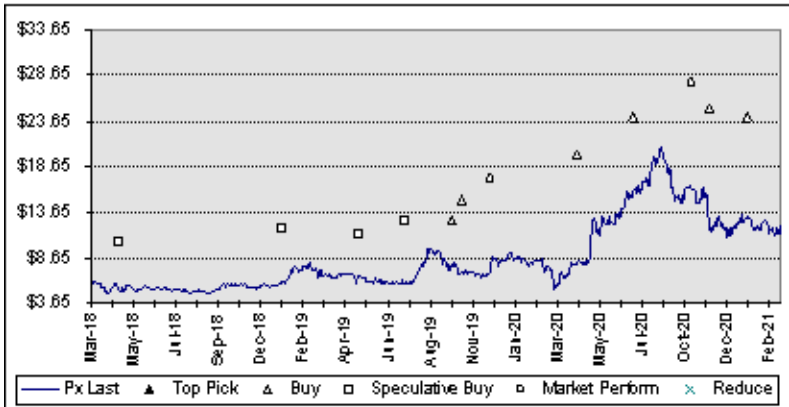
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**Victoria Gold Corp.**

Updated March 24, 2021

**Price Chart and Disclosure Statement**

\*Information updated monthly on or about the 5th of each month.



Recommendation / Target Chg	Date	C\$
	15-Jan-21	24.00 (B)
	16-Nov-20	25.00 (B)
	19-Oct-20	28.00 (B)
	20-Jul-20	24.00 (B)
	20-Apr-20	20.00 (B)
	03-Dec-19	17.50 (B)
	18-Oct-19	15.00 (B)
	03-Oct-19	12.75 (B)
	22-Jul-19	12.75 (B-S)
	08-May-19	11.25 (B-S)

\*Cormark has this percentage of its universe assigned as the following:

<i>Buy or Top Pick</i>	69%
<i>Market Perform</i>	10%
<i>Reduce or Tender</i>	2%
<i>Not Rated</i>	19%

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2) What type of security is it?

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