



Victoria Gold

VGCX-TSX

Rating
OutperformPrice: Jun-29
\$10.40Target
\$23.00Total Rtn
121%

Highlights From the Eagle Mine Site Visit

Bottom Line:

We attended a site visit to Victoria Gold's Eagle mine this week. Mining at Eagle continues to progress on schedule, and the visit highlighted the benefits of additional ore (which was modeled as waste rock) that VGCX is extracting, as well as various operational improvements being implemented. We expect Q2 operational results soon, and in our view VGCX appears on track to reach 2022's 165-190,000oz guidance.

Key Points

The site visit highlighted a series of improvements at Eagle:

- **Bonus ore.** VGCX has continued to get "bonus" tonnes from the edges of the mine plan block model. This ore, which was not included in the mine plan, has been providing additional gold ounces for the company. With the additional ore, VGCX continues to crush ore before stacking (which increases gold recovery) and does not expect to start stacking un-crushed run-of-mine ore anytime soon.
- **Shorter haul distances.** The mine sequence at Eagle should cut the waste haulage distance roughly in half in Q3 — we would expect this to improve unit costs as well as mining rates.
- **Optimized ore stacking.** The raises on the heap leach pad are increasing to 12m from 10m in height to improve efficiency (see exhibit 1 on page 2). We expect a monthly stacking rate of 1mmt.
- **Project 250.** Preparations are underway to use the existing crushing circuit more efficiently by screening out fines — VGCX expects this to increase production by 15%, with further improvements to be achieved by implementing year-round ore stacking. Project 250 aims to increase production towards 250,000oz per year in 2023.

We expect Q2 operational results soon. We anticipate 44,000oz in Q2 which would represent an improved quarter vs. Q1/22 (24,400oz) and Q2/21 (32,100oz). VGCX remains on track, in our view, to meet 2022 guidance of 165-190,000oz; we forecast 172,600oz.

Regional exploration provides upside. Drilling is underway at Raven, where VGCX has produced promising drill intercepts that it hopes to turn into a second resource near Eagle. The company plans to drill 20,000m this year with plans for an additional 10km of trenching. As further upside, we would also highlight recent results from drilling below the Eagle pit.

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Precious Metals & Minerals

Andrew Mikitchook, P.Eng., CFA

andrew.mikitchook@bmo.com

Analyst

(416) 359-5782

Kevin O'Halloran

kevin.ohalloran@bmo.com

Associate

(416) 278-7023

Legal Entity: BMO Nesbitt Burns Inc.



Company Description

Victoria Gold is ramping up the Eagle Gold mine in the Yukon toward 2022 guidance of 165,000-190,000oz at an AISC between US\$1,225/oz and US\$1,425/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

Exhibit 1: Eagle heap leach under irrigation with next raise starting on the left edge.



The raises on the Eagle heap leach pad have been increased to 12m from 10m to improve efficiency.



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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 \$225mm 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 operating 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 but remains a risk until the mine starts delivering consistent cashflows. 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 (June 29, 2022)

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Sell	Underperform	1.5 %	50.0 %	3.6 %	1.4 %	2.3 %	4.8%

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The recommendation contained in this report was produced at June 30, 2022, 11:05 ET. and disseminated at June 30, 2022, 11:05 ET.

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