

EQUITY RESEARCH

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May 11, 2022

Earnings Update

**VICTORIA GOLD CORP.**

Q1/22 Earnings Beat On Lower-than-expected Costs

**Outperformer**

VGCX-TSX, Sector: Materials

Current Price (5/11/22): C\$13.66

Price Target (12-18 mos.): **C\$21.00**

**Our Conclusion**

Victoria Gold reported a Q1/22 earnings beat with EPS of \$0.24, above consensus and CIBCe of \$0.09 and \$0.10, respectively. Quarterly cash flow per share of \$0.55 came in above CIBCe of \$0.32. Production for the quarter was pre-reported and the variances to our estimates were largely driven by lower-than-expected costs. Although costs were lower than our estimates, this was due to a change in inventory of \$36M. The company ended the quarter with cash and cash equivalents of \$41M after net draw of \$20M against the company's debt facilities.

Despite the quarterly results being a beat, we note the high mining and processing costs this quarter, which could continue throughout the year. Q1/22 production was also weaker than expected due to lower stacking rates, although stacking rates and gold production are expected to increase for the rest of the year. 2022 production guidance of 165koz-190koz (CIBCe 165koz) and costs guidance of US\$1,225-\$1,425/oz AISC (CIBCe US\$1,325/oz) remain unchanged.

**Key Points**

**Q1/22 Operational Results:** Victoria pre-reported Q1/22 production of 24.koz, ~28% lower than our previous estimate of 33.7koz. Quarterly sales of 25.5koz were slightly above our 23.1koz estimate. Q1/22 cash costs of US\$618/oz were lower than our estimate of US\$1,074/oz largely due to inventory adjustments, and AISC of US\$1,504/oz was also lower than our estimate of US\$1,622/oz. The company expects to spend US\$40M in growth capital in 2022 and complete Project 250 by year-end.

**Q1/22 Financial Results:** Victoria Gold reported a Q1/22 earnings beat with EPS of \$0.24, above consensus and CIBCe of \$0.09 and \$0.10, respectively. Quarterly cash flow per share of \$0.55 came in above our estimate of \$0.32. The variances to our estimates were largely driven by lower-than-expected costs, as the result of a \$36M inventory adjustment. The company ended the quarter with cash and cash equivalents of \$40.7M after net draw of \$20.4M against the company's debt facilities.

**Exploration Update:** In April 2022, the company completed drilling along the western margins of the Eagle Reserve. We expect an updated mineral resource estimate for Eagle Deep by year-end. A 25,000m drill program at Raven is expected to begin in May 2022. In total, Victoria expects to spend US\$20M in exploration capital in 2022.

**CIBC Estimates and Valuation**

(Dec. 31)	2021	2022	2023	2024
Adj. EPS	1.68A	1.02E	1.60E	1.82E
Prior		1.19E	1.62E	1.84E
CFPS	2.85A	2.63E	3.62E	3.85E
Prior		2.76E	3.64E	3.86E
Adj. EPS	Q1	Q2	Q3	Q4
2021	0.48A	0.02A	0.48A	0.70A
2022	0.24A	0.21E	0.29E	0.29E
Prior	0.10E	0.32E	0.40E	0.37E
CFPS	Q1	Q2	Q3	Q4
2021	0.49A	0.47A	1.00A	0.89A
2022	0.55A	0.53E	0.77E	0.77E
Prior	0.32E	0.67E	0.90E	0.86E
Valuation	2021	2022	2023	2024
P/E	8.1x	13.3x	8.5x	7.5x
P/CFPS	4.8x	5.2x	3.8x	3.6x

**Stock Performance and Key Indicators**

Avg. Dly. Vol.:	244K	Shares O/S:	62.7M
Market Cap.:	C\$856M	Float:	29.3M
52-wk Range:	C\$13.30 - C\$20.56	Div. / Yield:	C\$0.00/0.00%

**TSX Composite Index vs. VGCX-TSX**



(Source: FactSet)

All figures in Canadian dollars unless otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 4. For required regulatory disclosures please refer to "Important Disclosures" beginning on page 5.

**Victoria Gold Corp. (VGCX-TSX) — Outperformer**

Price (5/11/22) C\$13.66 12-18 mo. Price Target C\$21.00

Sector: Materials

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Key Financial Metrics	2021	2022E	2023E	2024E
Net Debt	176	151	(48)	(271)
FCF Yield	10.8%	1.7%	22.3%	24.7%
Per Share Data	2021	2022E	2023E	2024E
CFPS	2.85	2.63	3.62	3.85
Adj. EPS Dil.	1.68	1.02	1.60	1.82
Income Statement	2021	2022E	2023E	2024E
<b>Sales</b>	<b>356</b>	<b>374</b>	<b>515</b>	<b>512</b>
Cost of Goods Sold	142	173	213	198
<b>Gross Profit</b>	<b>215</b>	<b>202</b>	<b>302</b>	<b>314</b>
SG&A	7	8	8	8
<b>EBITDA</b>	<b>217</b>	<b>190</b>	<b>281</b>	<b>300</b>
D&A	60	86	125	132
Tax Expense	33	29	46	48
Minorities	0	(0)	0	0
<b>Net Income</b>	<b>110</b>	<b>68</b>	<b>105</b>	<b>120</b>
<b>Adjusted Net Income</b>	<b>110</b>	<b>68</b>	<b>105</b>	<b>120</b>
Cash Flow Statement	2021	2022E	2023E	2024E
Operating Activities				
CFO before WC	187	174	239	254
Change in WC	(55)	(43)	0	0
<b>CFO</b>	<b>132</b>	<b>130</b>	<b>239</b>	<b>254</b>
Investing Activities				
Capex	(90)	(158)	(37)	(30)
<b>Net CFI</b>	<b>(96)</b>	<b>(162)</b>	<b>(37)</b>	<b>(30)</b>
Financing Activities				
Dividends Paid	0	0	0	0
Change in Debt	(61)	(18)	(141)	(8)
<b>Net CFF</b>	<b>(61)</b>	<b>(0)</b>	<b>(145)</b>	<b>(8)</b>
<b>Free Cash Flow</b>	<b>97</b>	<b>15</b>	<b>202</b>	<b>223</b>
<b>Cash at Begin of Yr</b>	<b>56</b>	<b>31</b>	<b>(0)</b>	<b>57</b>
<b>Cash at End of Yr</b>	<b>31</b>	<b>(0)</b>	<b>57</b>	<b>272</b>
NPV (\$M)	NPV5%	\$/sh	NPV10%	\$/sh
Eagle Gold Mine (Yukon)	1,394	21.15	1,133	17.19
Upside (Dublin Gulch Property)	171	2.60	171	2.60
<b>Total Mining Assets</b>	<b>1,565</b>	<b>23.74</b>	<b>1,304</b>	<b>19.79</b>
Net Cash	(189)	(2.87)	(189)	(2.87)
Corporate G&A	(42)	(0.64)	(35)	(0.54)
Other Corporate Adjustments	40	0.60	40	0.61
<b>Total NPV</b>	<b>1,373</b>	<b>20.83</b>	<b>1,120</b>	<b>16.99</b>
Price Assumptions	2021	2022E	2023E	2024E
CAD:USD	0.80	0.79	0.78	0.78
Gold (US\$/oz)	1,798	1,863	1,750	1,650
Operating Summary	2021	2022E	2023E	2024E
Total Gold Production (koz)	164	165	241	255
Total Cash Costs (US\$/oz)	728	833	743	654
All-In-Sustaining Costs (US\$/oz)	1,193	1,325	893	776
Sustaining Capex (\$M)	60	70	26	29
Development Capex (\$M)	6	76	0	0

Source: FactSet, company reports and CIBC World Markets Inc.

**Company Profile**

Victoria Gold is a single asset gold producer which owns and operates the heap leach Eagle Gold Mine, located in central Yukon. The Eagle Gold Mine is located within the 35,000 hectares land package known as Dublin Gulch property. Victoria's Eagle Gold mine achieved first gold in Q4/19, and followed with commercial production in H2/20.

**Investment Thesis**

Victoria Gold provides the investors an exposure to a high margin, technically simple gold operation with both near mine and regional upside potential in a Tier 1 mining jurisdiction (Yukon). Victoria is also moving forward with its optimization plan to take Eagle Gold production to 250koz/a by 2023. We view Victoria as an attractive M&A target as a low cost, potential +200koz/a producer with strong free cash flows located in a safe jurisdiction. Upcoming near-term catalysts include ramping up to +200koz/a production, a resource update from Eagle deep and a maiden resource at the Raven deposit.

**Price Target (Base Case): C\$21.00**

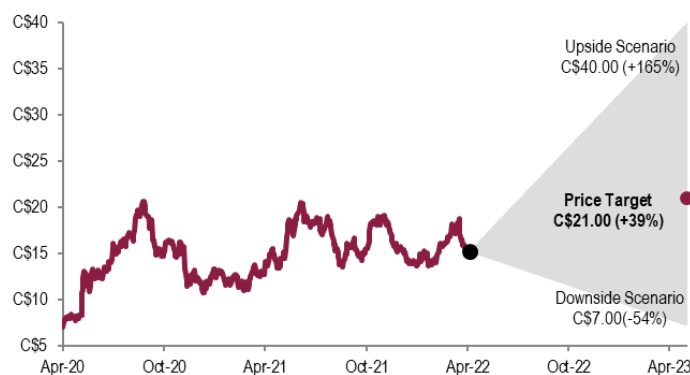
Our price target is based on a blended average of 7x 2022E CFPS and 1.1x NAVPS, both at CIBC prices.

**Upside Scenario: C\$40.00**

Our upside scenario is based on a \$3,000/oz gold price.

**Downside Scenario: C\$7.00**

Our downside scenario is based on a \$1,200/oz gold price.



Environmental, Social and Governance (ESG) Metrics for VGCX-TSX

CIBC ESG Metrics					
<b>Governance Metrics</b>					
Insider Ownership	2016	2017	2018	2019	2020
Board Gender Diversity	1.4%	1.4%	2.2%	2.5%	2.9%
Separation of Chair & CEO	14%	14%	20%	14%	11%
Dual-class Ownership?	YES	YES	YES	YES	YES
Disclose ESG Data?	NO	NO	NO	NO	NO
<b>Social Metrics</b>					
CEO Comp./Mkt Cap*	2016	2017	2018	2019	2020
Diversity Targets	\$3.31	\$2.89	\$3.11	\$1.16	\$1.94
Women Managers	NO	NO	NO	NO	NO
<b>Environmental Metrics</b>					
Emissions Intensity**	2016	2017	2018	2019	2020
Net-zero Targets?	NA	NA	NA	NA	NA

\* CEO Compensation is shown as per thousand dollars of market capitalization  
 \*\* Emissions Intensity calculated as total emitted CO2e divided by million \$ of CAD revenue

Sustainalytics ESG Risk Rating

56.0 Severe Risk

Updated on Aug 18, 2021 Momentum



Sustainalytics ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 <sup>st</sup> = lowest risk)	(1 <sup>st</sup> = lowest risk)
Global Universe	14551/14662	99th
Precious Metals INDUSTRY	102/122	84th
Gold SUBINDUSTRY	77/95	81st

CIBC Quantitative Scorecard

Within Sector			Within S&P/TSX Comp.		
Style	Rank	Delta	Style	Rank	Delta
Value	NA	NA	Quality	NA	NA
Market	NA	NA	Momentum	NA	NA
Growth	NA	NA	Market	NA	NA
Low Volatility	NA	NA	Low Volatility	NA	NA
Momentum	NA	NA	Value	NA	NA
Quality	NA	NA	Growth	NA	NA

General Notes Behind the Quantitative Scorecard

Delta refers to the change in the ranking over the past month. Number of stocks "Within Sector" is defined by the number within the GICS. In the "Within S&P/TSX" category, we use all stocks in the S&P/TSX Composite. For detail on the Quant Factors included in each style above, please contact the CIBC Portfolio Strategy Team.

The table above is based upon quantitative, statistical, and mathematical analysis and is not intended to serve as a fundamental recommendation.

CIBC Technical Scorecard

Factor	TSM Score	Factor	TSM Score
TSM	-5	Momentum	C
Beta	0.61	MACD	D
Volatility	↔	Alpha (Sector)	D
Trend	↔	Alpha (Index)	C
RSI	Neutral		

General Notes Behind the Technical Scorecard

**TSM:** The Trendspotting Matrix uses technical factors to score uptrend durability. **Momentum and alpha** metrics compare performance over one-month, one-quarter and one-year timeframes, outputting a rating from A to D. **Trend/Volatility** metrics measure price deviations relative to underlying moving averages. **RSI** is an oscillator that provides mean-reversion estimations. **MACD** is a momentum indicator rated from A to D based off the strength of its signal.

The table above is based upon a technical methodology that examines the past trading patterns and trades and is not intended to serve as a fundamental recommendation.

Source: Sustainalytics, Compustat, FactSet, Bloomberg and CIBC World Markets Inc.

## Price Target Calculation

We derive our C\$21.00 price target by applying a 1.1x NAVPS multiple and 7.0x 2022E CFPS, based on our price deck. We ascribe 1.1x NAV for Eagle Gold Mine, reflecting its producer status with near-term upside potential located in a Tier 1 mining jurisdiction and 0.9x NAV for other targets at Dublin Gulch property, reflecting the earlier stage for these exploration projects.

## Key Risks To Price Target

Our price target is based on mine operations continuing without interruptions. Mining is an inherently risky business, where technical, political and human issues can influence operations. We consider the following as risks to our derived price target:

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Neutral	NT	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
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Marketweight	M	Sector is expected to equal the performance of the broader market averages.
Underweight	U	Sector is expected to underperform the broader market averages.
None	NA	Sector rating is not applicable.

Note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.

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Neutral	114	37.1%	Neutral	113	99.1%
Underperformer	8	2.6%	Underperformer	8	100.0%
Tender	2	0.7%	Tender	2	100.0%
Restricted	4	1.3%	Restricted	4	100.0%

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