

Recommendation: **Buy**

 Target Price: **C\$22.00**

Current Price	C\$9.20	Shares Outstanding (MM)	
52 Wk High	C\$19.13	Basic	63.4
52 Wk Low	C\$9.20	Diluted	66.8
Cash (MM)	C\$40.7	Mgmt and Dir	1.9
Debt (MM)	C\$229.9	Mkt Cap. (MM)	C\$582.9
NAV	C\$19.00	EV (MM)	C\$772.0
P/NAV	0.48x	Reserves	3.3MMoz
NAV (spot)	C\$17.25	Total Resource	5.3MMoz
P/NAV (spot)	0.53x		
Total Return	139%		

Fiscal YE Dec 31		2020A	2021A	2022E
Prod'n (000oz)	Q1	10.6	26.8	24.4A
	Q2	28.3	32.1	32.1A
	Q3	35.3	55.8	56.6
	Q4	42.4	49.5	56.6
	FY	116.6	164.2	169.7
Cash Cost (\$/oz)		\$789	\$725	\$841
AISC (\$/oz)		\$1,209	\$1,193	\$1,286
Adj. EPS	Q1	C\$0.01	C\$0.15	C\$0.23A
	Q2	C\$0.01	C\$0.12	C\$0.22
	Q3	C\$0.39	C\$0.53	C\$0.57
	Q4	C\$0.49	C\$0.70	C\$0.58
	FY	C\$0.92	C\$1.51	C\$1.61
P/E		10.0x	6.1x	5.7x
Adj. CFPS	Q1	C\$(0.04)	C\$0.52	C\$0.58A
	Q2	C\$(0.04)	C\$0.49	C\$0.47
	Q3	C\$0.50	C\$1.05	C\$0.96
	Q4	C\$0.79	C\$0.93	C\$0.96
	FY	C\$1.24	C\$3.00	C\$2.96
P/CF		7.4x	3.1x	3.1x
FCF (MM)		C\$19.7	C\$24.1	C\$(13.7)
FCF Yield		3.4%	4.1%	0.7%

NAV: Cormark deck is \$1,800/oz; spot gold is \$1,725/oz

Victoria Gold Corporation

(VGCX - TSX)

Weak Q2/22; Strong Back Half Of The Year Expected

Unless otherwise denoted, all figures shown in US\$

Event:

Q2/22 production results

Impact:

Negative

Commentary:

Victoria produced 32,055 oz in Q2/22, below our 42,100 oz estimate, but up as expected from Q1/22 production of 24,358 oz as stacking was curtailed during the 90 coldest days of the year from January through March.

Tonnes stacked in Q2/22 (2.3 MMt) were in line with tonnes stacked in Q2/21 (2.4 MMt), but slightly below our 2.6 MMt estimate. Ore mined of 2.2 MMt was in line with ore mined in Q2/21 (2.3 MMt) as Victoria has built up sufficient stockpiles at the heap leach operation. Stacked grade of 0.85 g/t was above our 0.74 g/t estimate and bodes well for production in H2/22.

Even with the production miss in Q2/22, Management expects to achieve its guidance range of 165,000-190,000 oz. With year-to-date production of 56,413 oz, this implies H2/22 production of approximately 109,000 oz to hit the low end of the guidance range, or an average of 54,500 oz per quarter. We note that production in H2/21 was 105,300 oz, including 55,800 oz in Q3/21, so the track record is there for a significant improvement in production in the second half. Our H2/22 production estimate of 113,200 oz is unchanged, and we now model 2022 production of 169,700 oz which is slightly above the low end of guidance.

After updating our model for Q2/22 production and realized prices in Q2/22, our FCF estimate for 2022 moves to negative C\$13.7 MM (from negative C\$4.1 MM) at \$1,800/oz. However, we forecast FCF jumping to C\$139.0 MM in 2023 (24% yield) as the capital invested in 2022 (includes \$40 MM in growth capex primarily related to the Project 250k expansion; note [HERE](#)) will drive higher production and lower costs.

Investment Conclusion:

The stock is now off over 35% since early June, and the shares trade at 0.48x NAV (at \$1,800/oz). We continue to like the name and believe the investments made in 2022 will set Victoria up for a very strong 2023. An aggressive exploration drilling program should also deliver a significant resource increase, particularly at Raven (note [HERE](#)), later this year.

Company Description:

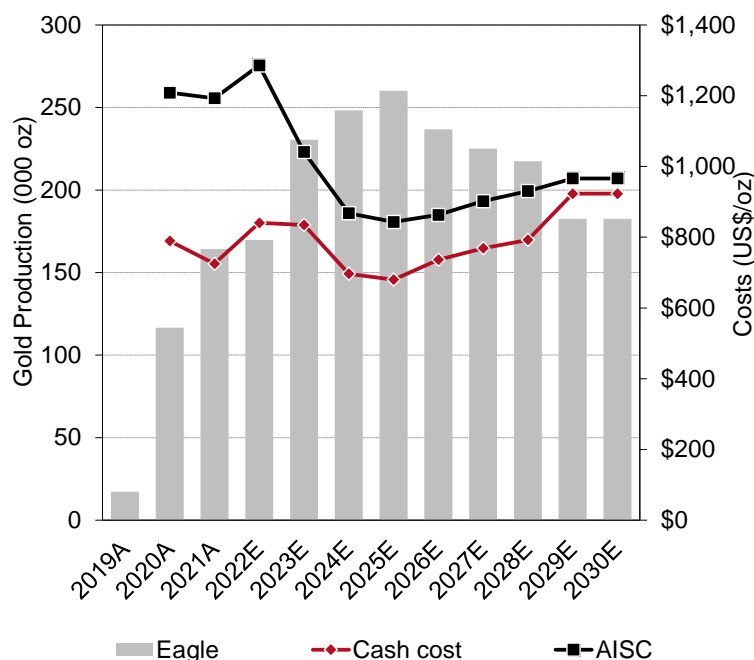
Victoria Gold is a single asset producer that operates the 100%-owned Eagle Gold Mine in the Yukon. Eagle poured its first gold in Q3/19 and achieved commercial production on July 1, 2020.

Figure 1: Quarterly Results & Changes to Estimates

		Q2/21A	Q3/21A	Q4/21A	Q1/22A	Q2/22E	2020A	2021A	2022E	2023E	2024E
UPDATED											
Gold production	000 oz	32.1	55.8	49.5	24.4	32.1 A	116.6	164.2	169.7	230.4	248.3
Cash costs	\$/oz	\$775	\$708	\$718	\$618	\$1,021	\$789	\$725	\$841	\$835	\$697
AISC	\$/oz	\$1,485	\$961	\$1,052	\$1,504	\$1,546	\$1,209	\$1,193	\$1,286	\$1,041	\$868
Adjusted EPS	C\$/share	\$0.12	\$0.53	\$0.70	\$0.23	\$0.22	\$0.92	\$1.51	\$1.61	\$2.12	\$3.04
Adjusted CFPS	C\$/share	\$0.49	\$1.05	\$0.93	\$0.58	\$0.47	\$1.24	\$3.00	\$2.96	\$3.64	\$4.55
Capital spending	C\$ MM	\$25.7	\$21.9	\$20.1	\$31.6	\$46.9	\$80.3	\$98.8	\$172.2	\$85.4	\$79.1
Free cash flow	C\$ MM	(\$18.3)	\$32.3	\$31.1	(\$40.1)	(\$12.4)	\$19.7	\$24.1	(\$13.7)	\$139.0	\$210.8
PREVIOUS											
Gold production	000 oz	32.1	55.8	49.5	24.4	42.1			179.7	230.4	248.3
Cash costs	\$/oz	\$775	\$708	\$718	\$618	\$946			\$833	\$835	\$697
AISC	\$/oz	\$1,485	\$961	\$1,052	\$1,504	\$1,388			\$1,263	\$1,041	\$868
Adjusted EPS	C\$/share	\$0.12	\$0.53	\$0.70	\$0.23	\$0.32			\$1.70	\$2.12	\$3.04
Adjusted CFPS	C\$/share	\$0.49	\$1.05	\$0.93	\$0.58	\$0.62			\$3.12	\$3.64	\$4.55
Capital spending	C\$ MM	\$25.7	\$21.9	\$20.1	\$31.6	\$46.9			\$172.2	\$85.4	\$79.1
Free cash flow	C\$ MM	(\$18.3)	\$32.3	\$31.1	(\$40.1)	(\$2.8)			(\$4.1)	\$139.0	\$210.8

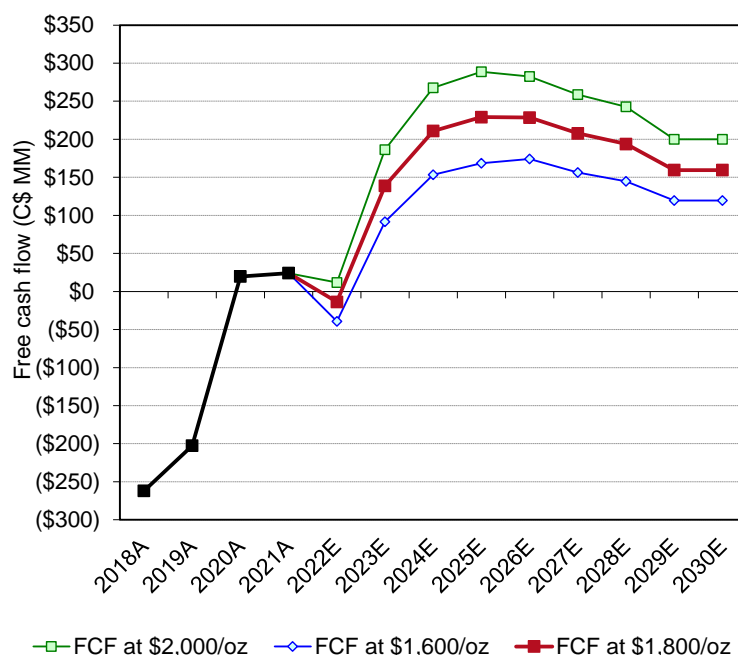
Source: Cormark Securities Inc.

Figure 2: Production & Cost Profile



Source: Cormark Securities Inc.

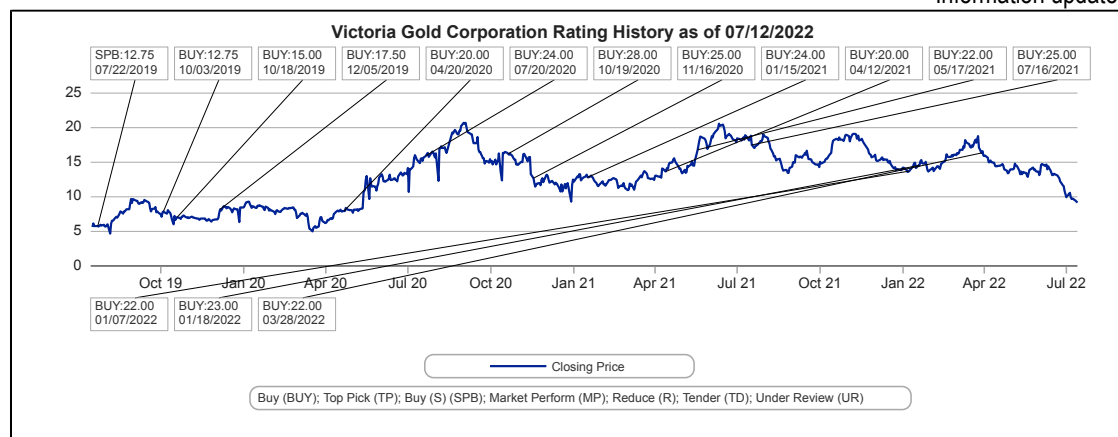
Figure 3: FCF Profile



Source: Cormark Securities Inc.

Price Chart and Disclosure Statement

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



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

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