

# EQUITY RESEARCH

January 11, 2022

Initiating Coverage

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## VICTORIA GOLD CORP.

Gold Producer With Exploration Upside In Tier 1 Jurisdiction;  
Initiating At Outperformer

### Our Conclusion

As of January 11, we are initiating coverage on Victoria Gold Corp. with an Outperformer rating and a \$24.00 price target. Victoria operates the Eagle gold heap leach mine on its Dublin Gulch property in the Yukon. The mine reached commercial production in 2020, and we estimate a nine-year mine life, producing an average of 232koz/annum at a robust AISC of US\$750/oz. At spot prices, Victoria trades at 0.6x vs. peers at 0.7x on a P/NAV basis and 4.9x vs. 4.7x on a 2022E CFPS basis. We view this as an attractive entry point and believe Victoria should trade at a premium to peers due to its exploration upside, strong free cash flow generation and M&A potential.

We derive our \$24.00 price target using a 1.1x P/NAV multiple and 7.0x P/2022E cash flow multiple on our price deck. The ~68% return to target supports our Outperformer rating.

### Key Points

**Ramping Up To 200koz/annum With Further Upside:** Eagle reached commercial production in July 2020 and has recently demonstrated positive grade and recovery reconciliation. The mine produced ~164koz in 2021, and we forecast production will increase to 207koz for 2022. Further, the company has operational optimization plans to reach 250koz/annum by 2023, which includes increasing stacking from nine to 11 months a year and the scalping of fine ore from the crushing circuit to increase crushing capacity. From 2023E to 2029E, we forecast annual average production of ~256koz.

**Exploration Potential:** Victoria has identified mineralization to a vertical depth of +650m, 300m below the planned Eagle pit depth of 350m, and the company believes this could potentially extend the mine life to 2040. We expect a resource update in early 2022 which will outline the size and grade of this deposit. We see production from Eagle Deep as upside to our base case scenario. There is also significant regional exploration upside, especially at the Raven target, which management has highlighted as a priority, with a maiden resource estimate to be released in H1/22.

**Strong Free Cash Flow Generation:** In 2023, we forecast \$211M of free cash flow and the company should be largely debt free. With 2023E average annual free cash flow yields of ~24%, we expect the company could deploy its cash to significantly increase its operation organically or purchase a second asset, decreasing its growth risk as a single-asset operator.

**M&A Potential:** We believe Victoria is an attractive M&A target as a low-cost, +200koz/annum producer with strong free cash flows located in a politically stable jurisdiction. We see multiple potential re-rating catalysts in the near term, including ramping up to production of +200koz/annum, a resource update from Eagle Deep and a maiden resource estimate at the Raven deposit.

All figures in Canadian dollars unless otherwise stated.

Please see "Price Target Calculation and Key Risks To Price Target" information on page 14.

For required regulatory disclosures please refer to "Important Disclosures" beginning on page 17.

### Outperformer

VGCX-TSX, Sector: Materials

Current Price (1/11/22): C\$14.23

Price Target (12-18 mos.): C\$24.00

### CIBC Estimates and Valuation

(Dec. 31)	2021	2022	2023	2024
Adj. EPS	1.14E	1.84E	2.12E	2.29E
CFPS	2.50E	3.16E	3.77E	3.92E

Adj. EPS	Q1	Q2	Q3	Q4
2021	0.48A	0.02A	0.48A	0.16E
2022	0.24E	0.44E	0.61E	0.55E

CFPS	Q1	Q2	Q3	Q4
2021	0.49A	0.47A	1.00A	0.54E
2022	0.48E	0.74E	1.00E	0.94E

Valuation	2021	2022	2023	2024
P/E	12.4x	7.7x	6.7x	6.2x
P/CFPS	5.7x	4.5x	3.8x	3.6x

### Stock Performance and Key Indicators

Avg. Dly. Vol.:	179K	Shares O/S:	62.6M
Market Cap.:	C\$891M	Float:	28.8M
52-wk Range:	C\$11.00 - C\$20.56	Div. / Yield:	C\$0.00/0.00%

### TSX Composite Index vs. VGCX-TSX



(Source: FactSet)

**Victoria Gold Corp. (VGCX-TSX) — Outperformer**Price (1/11/22) C\$14.23 12-18 mo. Price Target **C\$24.00**

Sector: Materials

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Key Financial Metrics	2021E	2022E	2023E	2024E
Net Debt	189	65	(145)	(373)
FCF Yield	9.5%	15.0%	24.4%	26.3%
Per Share Data	2021E	2022E	2023E	2024E
CFPS	2.50	3.16	3.77	3.92
Adj. EPS Dil.	1.14	1.84	2.12	2.29
Income Statement	2021E	2022E	2023E	2024E
<b>Sales</b>	<b>350</b>	<b>477</b>	<b>536</b>	<b>525</b>
Cost of Goods Sold	156	203	219	198
<b>Gross Profit</b>	<b>195</b>	<b>273</b>	<b>317</b>	<b>327</b>
SG&A	6	6	6	6
<b>EBITDA</b>	<b>191</b>	<b>260</b>	<b>297</b>	<b>313</b>
D&A	64	84	100	105
Tax Expense	40	50	57	59
Minorities	0	0	0	0
<b>Net Income</b>	<b>75</b>	<b>121</b>	<b>139</b>	<b>150</b>
<b>Adjusted Net Income</b>	<b>75</b>	<b>121</b>	<b>139</b>	<b>150</b>
Cash Flow Statement	2021E	2022E	2023E	2024E
<b>Operating Activities</b>				
CFO before WC	165	207	247	257
Change in WC	(50)	0	0	0
<b>CFO</b>	<b>114</b>	<b>207</b>	<b>247</b>	<b>257</b>
<b>Investing Activities</b>				
Capex	(82)	(77)	(36)	(29)
<b>Net CFI</b>	<b>(85)</b>	<b>(77)</b>	<b>(36)</b>	<b>(29)</b>
<b>Financing Activities</b>				
Dividends Paid	0	0	0	0
Change in Debt	(62)	(136)	(63)	(8)
<b>Net CFF</b>	<b>(67)</b>	<b>(142)</b>	<b>(64)</b>	<b>(9)</b>
<b>Free Cash Flow</b>	<b>83</b>	<b>130</b>	<b>211</b>	<b>228</b>
<b>Cash at Begin of Yr</b>	<b>56</b>	<b>19</b>	<b>7</b>	<b>154</b>
<b>Cash at End of Yr</b>	<b>19</b>	<b>7</b>	<b>154</b>	<b>373</b>
NPV (\$M)	NPV5%	\$/sh	NPV10%	\$/sh
Eagle Gold Mine (Yukon)	1,587	24.23	1,287	19.65
Upside (Dublin Gulch Property)	171	2.61	171	2.61
<b>Total Mining Assets</b>	<b>1,758</b>	<b>26.84</b>	<b>1,458</b>	<b>22.26</b>
Net Cash	(213)	(3.25)	(213)	(3.25)
Corporate G&A	(40)	(0.61)	(33)	(0.50)
Other Corporate Adjustments	16	0.25	17	0.26
<b>Total NPV</b>	<b>1,522</b>	<b>23.24</b>	<b>1,230</b>	<b>18.77</b>
Price Assumptions	2021E	2022E	2023E	2024E
CAD:USD	0.80	0.77	0.76	0.76
Gold (US\$/oz)	1,799	1,877	1,750	1,650
Operating Summary	2021E	2022E	2023E	2024E
Total Gold Production (koz)	164	207	245	255
Total Cash Costs (US\$/oz)	810	819	732	641
All-In-Sustaining Costs (US\$/oz)	1,234	1,007	869	751
Sustaining Capex (\$M)	51	28	26	29
Development Capex (\$M)	2	35	0	0

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

**Company Profile**

Victoria Gold is a single-asset gold producer that owns and operates the heap leach Eagle Gold Mine, located in central Yukon. The Eagle Gold Mine is located within the 35,000-hectare 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 investors with exposure to a high-margin, technically simple gold operation with both near-mine and regional upside potential in a Tier 1 mining jurisdiction (Yukon). In 2021, Eagle's first full year of production, the mine produced 164koz, and we forecast that production will increase to 207koz in 2022. Victoria is also moving forward with its optimization plan to take Eagle Gold production to 250koz/annum by 2023. From 2023 onwards, we estimate annual average production of ~256koz and expect the company to be essentially debt free by the end of the same year. We view Victoria as an attractive M&A target as a low-cost, +200koz/annum producer with strong free cash flow located in a safe jurisdiction. Upcoming near-term potential catalysts include ramping up to +200koz/annum production, a resource update from Eagle Deep and a maiden resource estimate at the Raven deposit.

**Price Target (Base Case): C\$24.00**

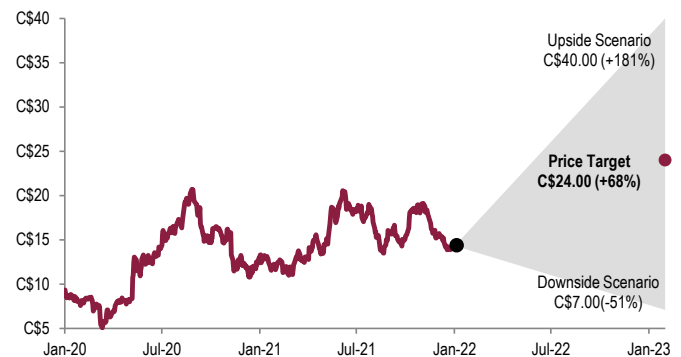
Our price target is based on a blended average of 7x 2022E CFPS and 1.1x NAVPS, both at our prices.

**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.



## Investment Summary

We are initiating coverage on Victoria Gold Corp. with an Outperformer rating and a \$24.00 price target. Victoria is a gold mining company that operates the Eagle gold heap leach mine on its Dublin Gulch property in the Yukon. The mine reached commercial production in 2020, and we estimate a nine-year mine life (2022E onwards), producing an average of 232koz/annum at an AISC of US\$750/oz.

**Ramping up to 200koz/annum with further upside:** Eagle reached commercial production in July 2020, and produced a total of 117koz in 2020 and 164koz for 2021. During the first year of operation, following some issues related to reliability and ore stacking, the company implemented multiple optimization activities within the process circuit, and with those completed the mine has reached planned stacking levels and demonstrated positive grade reconciliation and recoveries. Production in 2021 did come in below original guidance of 180koz-200koz due to COVID-19-related supply chain issues in Q4/21, which have since been resolved.

Victoria is proceeding with 'Project 250k' which aims to increase annual gold production to ~250koz/annum. To reach this production level, Victoria will increase winter stacking and scalp the fines from the crusher. The operation did not originally consider stacking during the coldest winter months of Q1 and the mine was shut down for nine weeks of Q1/21. Victoria is planning on stacking for seven of the 12 weeks in Q1 starting in 2022. Further to increased stacking, scalping the fines should reduce wear and energy requirements and increase the overall capacity of the crushing circuit by ~20%. Victoria expects construction for the scalping project to be completed by the end of June 2022. We estimate moderate capex of \$35M for the construction and we model average annual production of ~256koz, starting in 2023E.

**Exploration potential at Eagle and regionally:** Near-term exploration potential is focused at the Eagle pit. The company has identified mineralization down to a vertical depth of +650m, an additional 300m below the planned 350m pit, and Victoria believes this could potentially extend the mine life to 2040. We regard this additional mineralization as upside to our base case scenario. The company expects to release a resource update for Eagle in early 2022, and it will give us a better idea of Eagle's potential at depth in terms of resource size and grade. In addition to exploration at the current operation, the Raven target has been the focus of regional exploration over the past few years and is expected to remain so in 2022. Raven is located ~10km from Eagle and is a similar-style granodiorite intrusive deposit. Over 8,000m have been drilled at this target, which has a defined strike length of 1.2km and 800m width and extends to 180m at depth. The company expects to release a maiden resource estimate for this deposit in H1/22. Although assay labs have been slow to return results, assays received to date indicate that this deposit could be of higher grade than Eagle, with assay highlights including 3.95g/t over 19.0m and 3.05g/t over 13.2m (Hole NG20-037C). Depending on the resource size, Raven could prove to be a satellite deposit to potentially feed Eagle or be a stand-alone operation in the future.

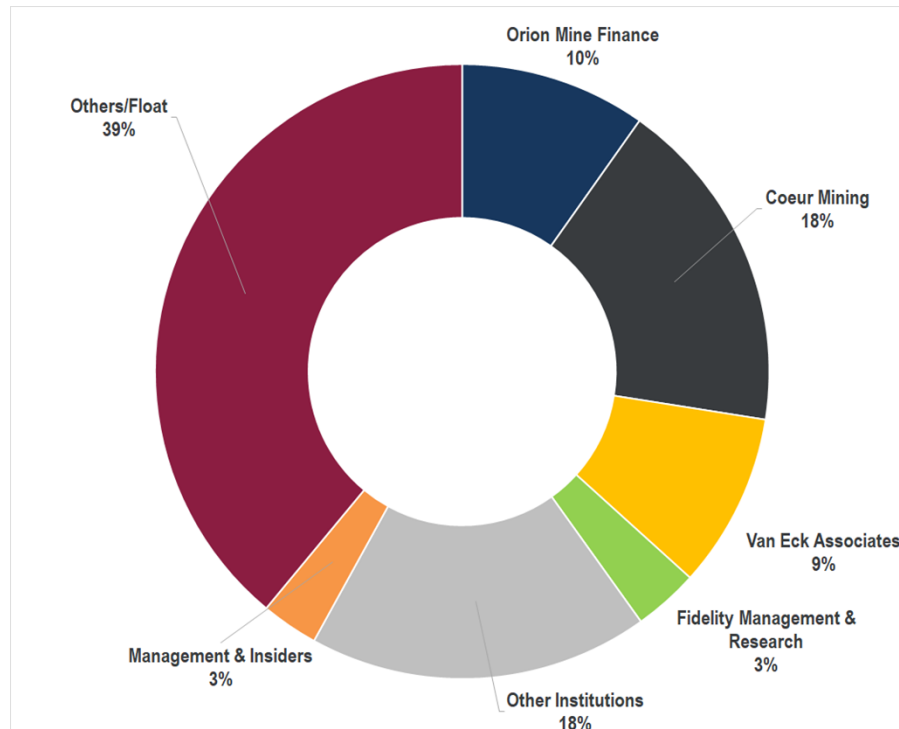
**Strong free cash flow generation:** We expect Victoria to generate free cash flow of \$211M in 2023E and that the company will also be essentially debt free by then. With annual free cash flow yields of ~24%, Victoria is a leader among peers. We expect the company could deploy cash to significantly increase its operation organically (i.e., develop Eagle underground and/or Raven) or purchase a second asset, decreasing its growth risk as a single-asset operator.

**M&A potential:** We believe Victoria is an attractive M&A target as a low-cost, single-asset producer located in a safe jurisdiction with strong free cash flows and exploration upside. Victoria has multiple potential re-rating catalysts in the near term, including ramping up to production of +200koz/annum, a resource update from Eagle Deep and a maiden resource estimate at the Raven deposit.

## Company Profile

Headquartered in Toronto, Ontario, Victoria Gold Corp. is a single-asset gold producer that owns and operates the Eagle Gold Mine located on its Dublin Gulch Property in the Yukon. The company acquired the Dublin Gulch property in 2009. Since operations reached commercial production in July 2020, the Eagle Gold mine has produced 281koz of gold and the company has continued exploration on its large 35,000ha property. Victoria Gold's shares trade on the TSX under the symbol VGCX. The company's largest shareholder is Coeur Mining (17.7%), which acquired its ownership from Orion Mine Finance. Recently, Orion Mine Finance sold down its stake in the company from 18% to 9.8%. Institutions comprise ~31% of the shareholders and Victoria Gold's management and directors collectively own ~3%. The donut chart in Exhibit 1 summarizes Victoria Gold's current share ownership.

**Exhibit 1: Victoria Gold – Ownership, December 31, 2021**



Source: Company reports.

**Exhibit 2: Victoria Gold – Share Capital History, 2018 To Current (January 11, 2021)**

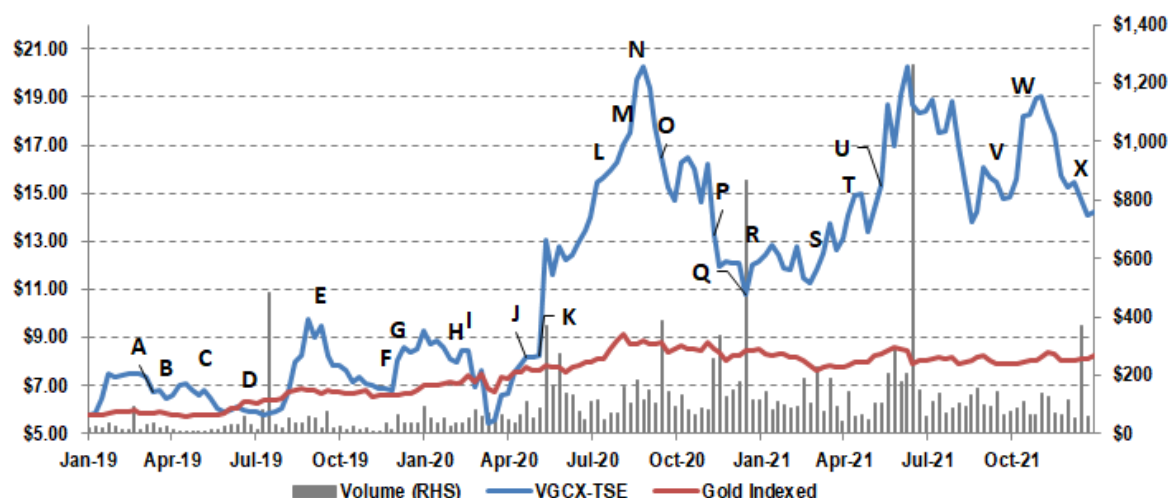
Victoria Gold Corp	Common Shares Outstanding (Feb 28, 2018)	517,137
	Shares issued to Orion & Osisko For Eagle Financing	253,355
	Stock Option Exercised	15,480
	Common Shares Outstanding (Feb 28, 2019)	785,973
	Shares issued for C\$32.5M private placement	72,422
	Stock Option Exercised	785
	Common Shares Outstanding (Dec 31, 2019) Fifteen-for-one Share Consolidation	57,279
	Shares issued for C\$7M flow-through financing	802
	Shares issued for C\$23M flow-through financing	3,007
	Stock Option Exercised	1,029
	Common Shares Outstanding (Dec 31, 2020)	62,117
	Stock Option Exercised	499
	Common Shares Outstanding (Sept 30, 2021)	62,616
	Options, Warrants, FBUs, RSUs, DSUs Outstanding	2,892
	Fully Diluted Shares Outstanding (Current)	65,508

Source: Company reports and CIBC World Markets Inc.

The table in Exhibit 2 outlines Victoria's share capital history from 2018 to present day. In 2018, the company announced a 15:1 share consolidation and changed its fiscal year-end to December 31. In 2020 Victoria issued 3M shares at \$7.65/share for \$23M in a bought deal for ramping up operations and corporate purposes, and closed a brokered flow-through financing of 801K shares at \$8.73/share for \$7M. Victoria's fully diluted shares outstanding are ~65.5M based on our calculations.

Victoria's share price performance and trading volumes are plotted against key events in the line chart in Exhibit 3. Since 2019, the stock has appreciated ~147% (until year-end 2021) and trading volumes have increased since Victoria graduated to the TSX and announced its first-quarter production results in spring 2020. Victoria was added to the GDXJ in December 2020 and on September 15, 2021 Victoria announced it had been included in the Toronto Stock Exchange's 2021 TSX30, which recognizes the 30 top-performing TSX stocks over a three-year period based on dividend-adjusted share price appreciation. Adjusted daily volume (ADV) for the last 30 days has been ~189,036 shares, slightly higher than the 90-day ADV of ~181,516.

**Exhibit 3: Victoria Gold – Share Price Performance Vs. Gold Price & Key Events, 2019 - Present**



- A Victoria Gold Corp. Announces C\$30 Million Bought Deal Financing
- B Victoria Gold Announces Restructuring of C\$32.5 Million Bought Deal Financing to Include Private Placement Component
- C Victoria Gold: Eagle Mine Construction 90% Complete
- D Victoria Gold Announces That Orion Has Agreed To Increase Its Ownership Interest Through A Purchase Of Outstanding Shares
- E Victoria's Eagle Gold Mine Construction Complete – Operations Ramping Up
- F Victoria Gold: Share Consolidation and Change in Year End
- G Victoria Gold: Eagle Gold Mine Reserves Increase by 20% to 3.3 Million Ounces Gold
- H Victoria Gold Announces \$5 Million Flow-Through Financing
- I Victoria Gold Graduates to Toronto Stock Exchange
- J Victoria Gold Corp. Announces C\$20 Million Bought Deal Financing
- K Victoria Gold Provides Operations Update
- L Victoria Gold's Eagle Gold Mine Produces 13,828 Ounces of Gold in June
- M Victoria Gold Makes Early Debt Repayment of US\$10 Million
- N Victoria Gold Doubles Strike Length at Raven Target on Dublin Gulch Property
- O Victoria Gold Corp. And Orion Mine Finance Announce C\$50 Million Bought Deal Secondary Offering
- P Victoria Gold Reports Third Quarter 2020 Operating and Financial Results
- Q Victoria Gold: GDXJ Index Inclusion
- R Victoria Gold Closes US\$200 Million Credit Facility To Refinance Project Debt
- S Victoria Gold: Eagle Gold Mine 2021 Production Guidance
- T Victoria Gold: Eagle Gold Mine Q1 2021 Operational Highlights
- U Coeur Buys 18% Stake In Victoria Gold Corp.
- V Victoria Gold Recognized by the Toronto Stock Exchange's 2021 TSX30 Program
- W Victoria Gold's Eagle Gold Mine Produces 55,827 Ounces Gold in Q3 2021
- X Victoria Gold Provides 2021 Revised Guidance

Source: Company reports and CIBC World Markets Inc.



## Eagle Gold Mine – High-margin Heap Leach Operation With Upside Potential

Victoria's Eagle Gold Mine is situated within the 35,000-hectare Dublin Gulch property, ~350km north of the city of Whitehorse, Yukon. There is year-round road access to the mine, an airport one hour away in Mayo, and the site is powered by the Yukon energy grid. The mine reached commercial production in July 2020 and the operation continues to ramp up production, aiming for 250koz/annum in 2023.

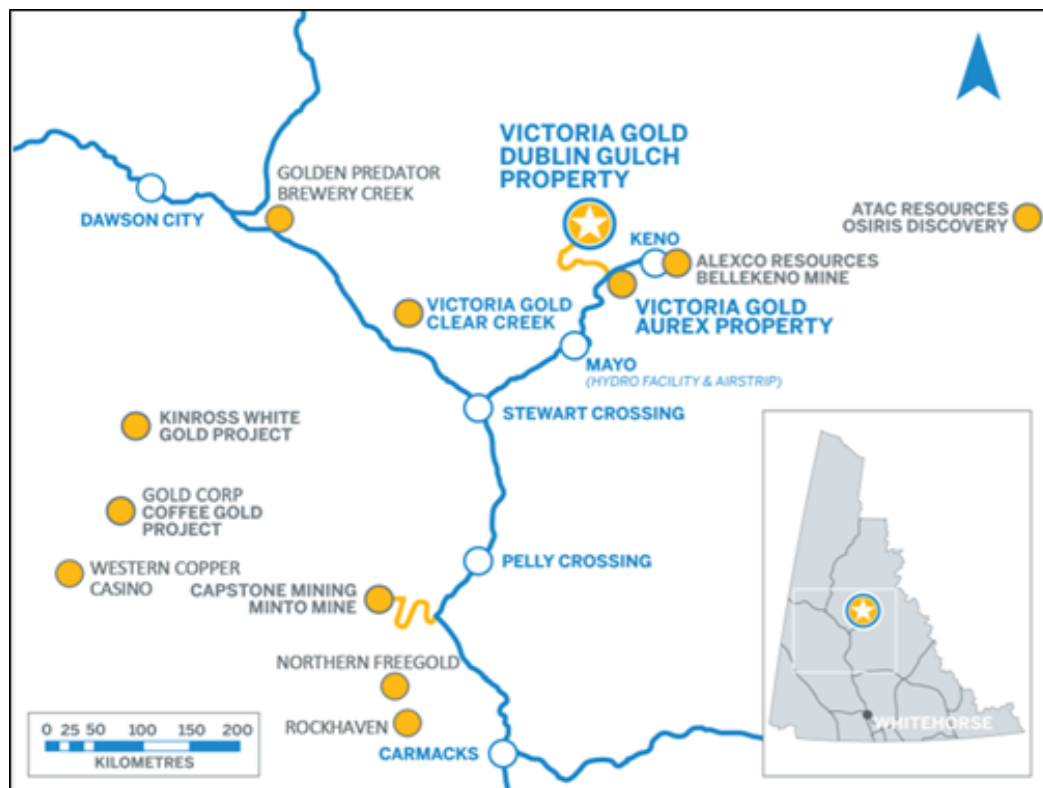
Victoria acquired StrataGold in 2009 for ~\$9M in an all-share transaction, acquiring the Dublin Gulch property and others in the StrataGold portfolio. Exploration on the property began in the 1990s and was continued sporadically by several owners, including StrataGold. Victoria Gold continued exploration work on the property, including several drill programs (from 2011 to 2017) at the Eagle and Olive deposits that focused on intrusive-hosted gold mineralization. In 2010, Victoria released a Preliminary Feasibility Study (PFS) on the project, outlining a 170koz/annum operation. The following year it released its first Feasibility Study (FS). Victoria Gold's most recent feasibility study for Eagle Gold Mine was published in 2019, and featured a 4.7Moz M&I resource.

**Exhibit 4: VGCX – Dublin Gulch Location**



Source: Company reports.

**Exhibit 5: Victoria Gold – Dublin Gulch Property Infrastructure & Access Roads, January 11, 2022**



Source: Company reports.

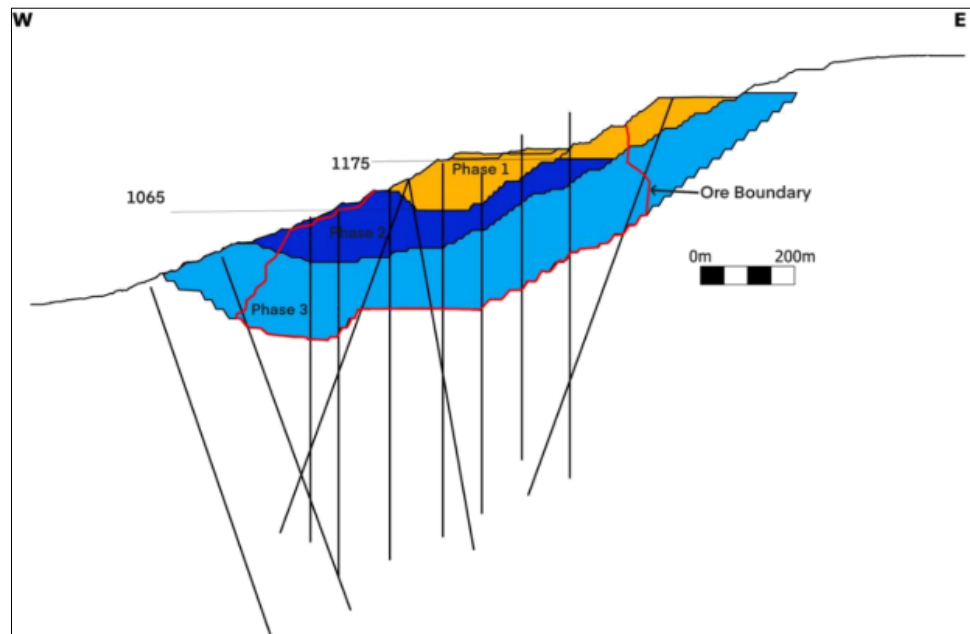
The project hosts an M&I resource (inclusive of reserves) of 4.73Moz at a 0.65g/t grade and an inferred resource of 571koz at a 0.62g/t grade. The global mineral resource estimate (as outlined in the table in Exhibit 6) totals 5.3Moz and is composed of two deposits, Eagle and Olive. Olive is a satellite deposit located 2.5km northeast of the Eagle deposit. The cut-off grade for Eagle is 0.15g/t Au and for Olive is 0.40g/t Au. The gold price used for the mineral resource estimate was US\$1,700/oz. The 2019 2P mineral reserve estimate (also shown in the table in Exhibit 6) totaled 3.2Moz, includes the Eagle and Olive deposits and was calculated using a US\$1,275/oz gold price. The total 2P reserve as of year-end 2021 is expected to be ~2.8Moz, by our estimates.

**Exhibit 6: Victoria Gold – Eagle & Olive Mineral Reserve Estimate, 2019**

Victoria Gold Corp Mineral Reserves and Resources as at Dec. 31, 2019			
	Tonnes (kt)	Au Grade (g/t Au)	Au Ounces (koz Au)
<b>Proven and Probable Reserves</b>			
Eagle	148,000	0.64	3,061
Olive	7,000	0.67	200
<b>Total Reserves</b>	<b>155,000</b>	<b>0.65</b>	<b>3,261</b>
<b>Measured and Indicated Resources (Inclusive)</b>			
Eagle	217,400	0.63	4,397
Olive	9,500	1.08	329
<b>Total M&amp;I</b>	<b>226,900</b>	<b>0.65</b>	<b>4,726</b>
<b>Inferred Resources</b>			
Eagle	21,500	0.52	361
Olive	7,300	0.89	210
<b>Total Inferred</b>	<b>28,800</b>	<b>0.62</b>	<b>571</b>
<b>Total Resource</b>	<b>255,700</b>	<b>0.64</b>	<b>5,297</b>

Source: Company reports and CIBC World Markets Inc.

The Eagle mine is a conventional cold-weather, open-pit operation. Both the Eagle and Olive deposits are in the mine plan, which has three phases – Phase 1 from 2019-2022, Phase 2 from 2021-2024, and Phase 3 from 2023 to end of mine life. The Olive pit should come into production in 2028 and Victoria expects it to be mined out by 2031. Mining rates are planned at ~37,000tpd and Eagle is expected to contribute ~96% of the mined material and Olive ~4%. The two deposits are expected to produce a total of ~149Mt of ore and ~145Mt of waste, with an attractive strip ratio of 0.97:1.

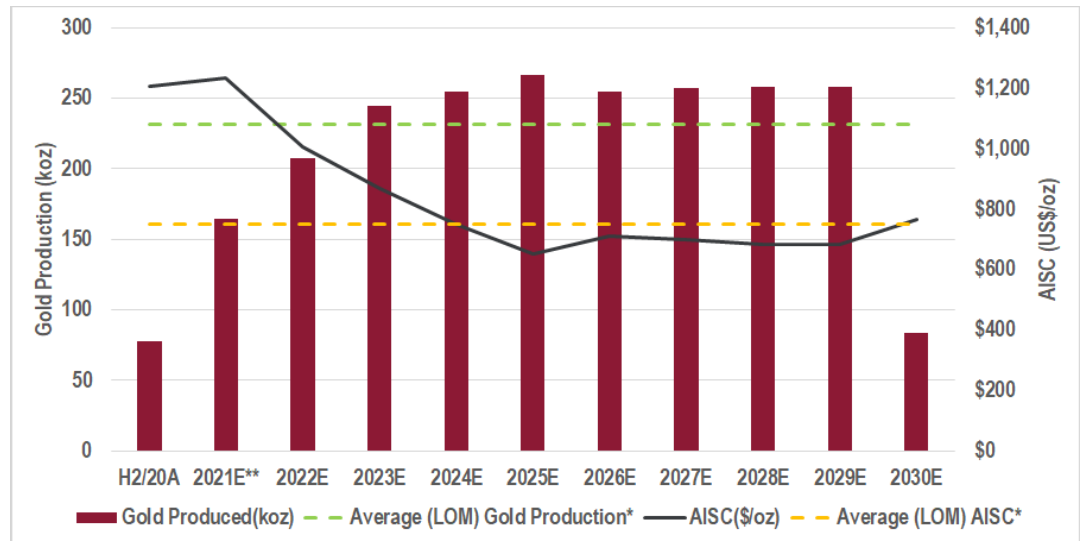
**Exhibit 7: Victoria Gold – Eagle Deposit Mining Phases, 2019**

Source: Company reports.

Ore above the 0.3g/t cut-off grade is hauled to the crushing circuit before being stacked on the in-valley heap leach pad (HLP). Ore that is 0.15g/t-0.3g/t from the Eagle pit is considered run-of-mine (ROM) and is hauled directly to the primary HLP. The process flow-sheet at Eagle has a conventional three-stage crushing circuit with a 29,500tpd capacity. Crushed ore is then sent to the heap leach.

Two pads are planned for the LOM: the primary HLP (90Mt capacity) located near the Eagle deposit, which is already in operation, and the secondary HLP (73.5Mt capacity), which is expected to be developed to receive ore in the beginning of 2024. The second HLP will accommodate the remaining ore and is planned to be located near the Olive deposit. The ore stacked on the HLP is irrigated with a barren cyanide-caustic solution, which dissolves the gold contained in the ore, producing a gold-bearing “pregnant” solution. The pregnant solution is pumped to the ADR plant where it is turned into gold dore bars. The process circuit is designed to operate at a throughput rate of 13Mt/year with LOM recoveries of ~77%.

**Exhibit 8: Victoria Gold – Eagle LOM Production & Cost Profile, H2/20 - 2030E**



\* 2022E Onwards

\*\*2021 Production Actual

Source: Company reports and CIBC World Markets Inc.

Pre-stripping of the Eagle pit commenced on March 1, 2019 and continued for three months until mid-June. Construction was finished one month ahead of schedule and commercial production was achieved on July 1, 2020. Victoria announced inaugural guidance of 85koz-100koz for the six-month period from July to December 2020. Currently, the mine is ramping up to the nameplate capacity (~200koz of annual gold production); the company previously guided to 180koz-200koz for 2021, and produced only ~164koz due to supply chain issues in Q4/21. Victoria initially guided to 2021E AISC at the higher end of the US\$1,050/oz-US\$1,175/oz range; that guidance was subsequently revised to US\$1,234/oz in December 2021, owing to the aforementioned supply chain issues. We highlight in the table in Exhibit 9 our production profile and cost estimates for the Eagle mine from 2021E through to 2030E.

**Exhibit 9: Victoria Gold – Key Operational Parameters For Eagle Gold Mine, 2020 - 2031E**

Eagle Mine - Key Parameters		LOM*	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Mine Life	years	15.0	—	—	—	—	—	—	—	—	—	—	—
Ore Stacked Per Day	tpd	45,264	19,867	25,061	36,978	44,049	44,213	45,712	48,482	49,367	49,232	49,367	42,260
Gold Grade	g/t	0.63	0.84	0.85	0.72	0.64	0.66	0.67	0.60	0.60	0.60	0.60	0.60
Gold Recovery	%	74.5%	59.3%	65.4%	66.4%	74.0%	74.2%	74.1%	75.0%	74.4%	74.5%	74.5%	115.0%
Gold Production	koz	2,135	117	164**	207	245	255	266	255	257	258	258	84
Strip Ratio	w:o	0.97	1.64	1.59	1.32	1.20	0.98	0.62	0.70	0.75	0.96	1.20	1.15
Cash Costs	US\$/oz	685	787	810	819	732	641	596	672	671	659	634	722
AISC	US\$/oz	750	1,132	1,234	1,007	869	751	654	712	700	685	683	766
Capital Expenditure	C\$000	301,917	47,303	75,660	76,837	35,809	29,263	13,000	6,500	3,200	2,400	10,250	1,694

\*2020A Onwards

\*\*2021 Production Actual

Source: Company reports and CIBC World Markets Inc.



We model a total minable resource of 2.7Moz at 0.63g/t mined over nine years (from 2022E to 2030E) with average annual production of 232koz. The project has a low LOM strip ratio of 0.97:1 and an average LOM AISC of US\$750/oz. Our base case incorporates 'Project 250k' whereby Victoria is planning on increasing average annual production from the 200koz/annum specified in the most recent feasibility study to ~250koz of gold per annum by 2023. Project 250k is focused on operational optimization by increasing ore stacking on the HLP to 11 months a year (currently nine months) and scalping fines from the secondary-tertiary crusher to increase throughput by 4Mt/year. Victoria will increase its stacking rate starting in Q1/22 and expects the construction for scalping to be complete by the end of June 2022.

### Additional Upside – Dublin Gulch Package & Project 2040

Further to the Eagle Gold mine, we believe that Victoria Gold has organic growth potential opportunities, including additional mineralization below the current Eagle resource (Project 2040) and other greenfield exploration targets (specifically Raven) on the large Dublin Gulch & VBW land package.

**Project 2040:** Project 2040 looks to expand the Eagle resource at depth, potentially extending the mine life by another 10 years. During H1/21, the company completed the Eagle Deep drilling, targeting mineralization below the current Eagle resource, and we expect a resource update in early 2022. We believe results from Eagle Deep (expected in H1/22) could provide further clarity on the various options that could be considered for a potential expansion scenario.

**Exhibit 10: Victoria Gold – Dublin Gulch Exploration Targets, January 11, 2022**



Source: Company reports.

**Raven Target:** Victoria expects to release a maiden resource estimate for Raven in H1/22. The Raven target is located within the nugget zone at the eastern end of the Dublin Gulch property. Other top exploration targets in the region on which Victoria is focused include Lynx, Rex Peso and Olive-Shamrock, all located within the Dublin Gulch property, and Falcon, located within the VBWS claims. Initially discovered in 2018, Raven consists of arsenopyrite-dominant, polymetallic vein-type mineralization. The vein structures, consistent across Raven, are moderately dipping with a west-to-southwest strike.

On the back of successful results from previous drill campaigns, Raven is at the top of Victoria's pecking order of the exploration targets at the Dublin Gulch property. Over 8,000m have been drilled at this target, which has a defined strike length of 1.2km and 800m width and extends to 180m at depth. The company expects to release a maiden resource estimate for this deposit in H1/22. Although assay labs have been slow to return results, assays received to date indicate that this deposit could be of a higher grade than Eagle, with assay highlights including 3.95g/t over 19.0m and 3.05g/t over 13.2m (Hole NG20-037C).

Depending on the results of the maiden resource and subsequent technical studies, Victoria is considering fast-tracking the Raven deposit to production. The company has outlined an ambitious timeline to reach first gold pour by 2028, as seen in the table in Exhibit 11.

**Exhibit 11: Victoria Gold – Raven Target Development Timeline, December 2021**

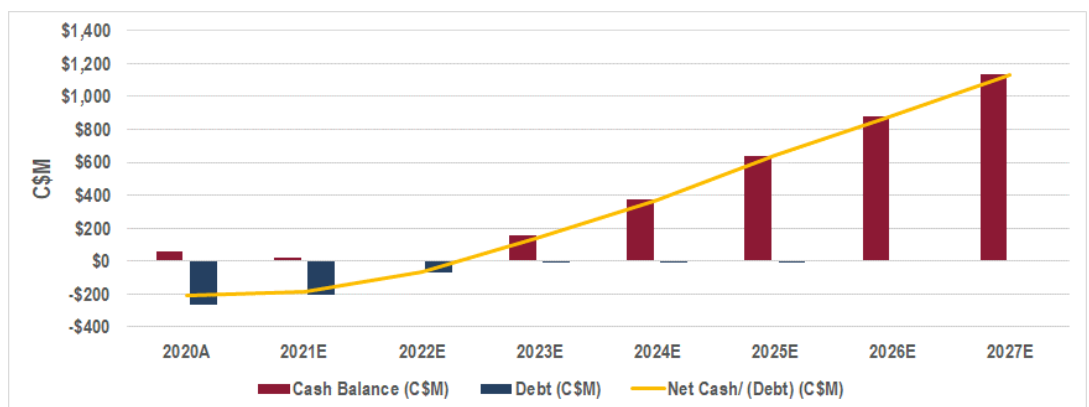
Raven Development Schedule	Years
60,000m Drilling	2022
Maiden Resource/Reserve	2022
Preliminary Economic Assessment	2022
Enter Environment Assessment Pre-screening Process	2022
Environmental & Geotechnical Baseline Data Collection	2022
Feasibility Study	2023
Permitting Process	2023-25
Construction	2026-27
First Gold	2028

Source: Company presentation.

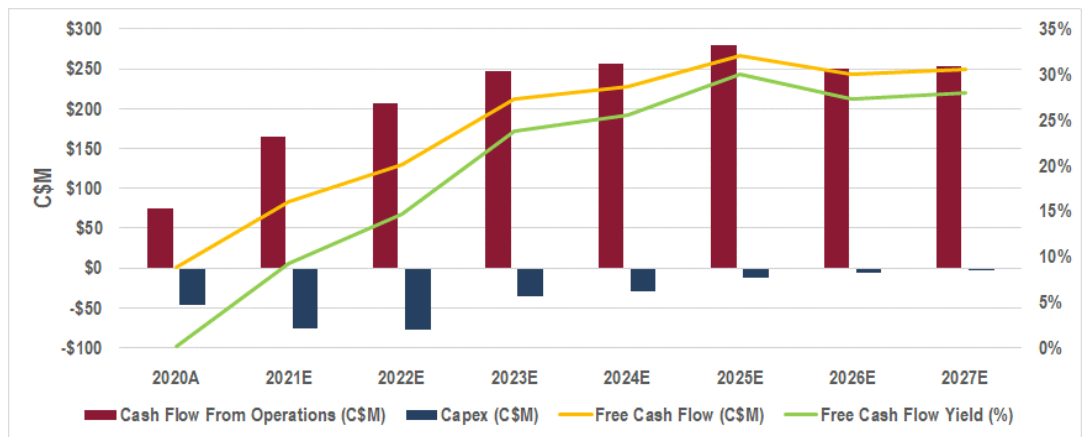
## Financial Analysis And Outlook

As at September 30, 2021, Victoria held \$14.8M in cash and cash equivalents and total debt of \$227M. Debt comprises three components: equipment finance facility (US\$31.1M outstanding from the US\$50M facility with Caterpillar Financial Services Limited), term facility (US\$75M outstanding from the US\$100M facility), and a revolving credit facility (US\$72.9M outstanding from US\$100M facility). The company expects to be largely debt free by 2023, with the remainder of the equipment finance lease paid in 2025. We forecast Victoria to be in a net cash position by the end of Q2/23 with a net cash balance of \$145M by the end of 2023, demonstrating the robust cash flow profile. We forecast Victoria's cash balance to continually increase with growing production and minimal capital expenditures. Key capital projects will include installing the screener for the fines in 'Project 250k,' for which we assume \$35M in 2022, and the construction of the second heap leach in 2023. Even with these projects, we foresee no significant risks to the balance sheet in the near or longer term.

**Exhibit 12: Victoria Gold – Net Cash Position, 2020 - 2027E**



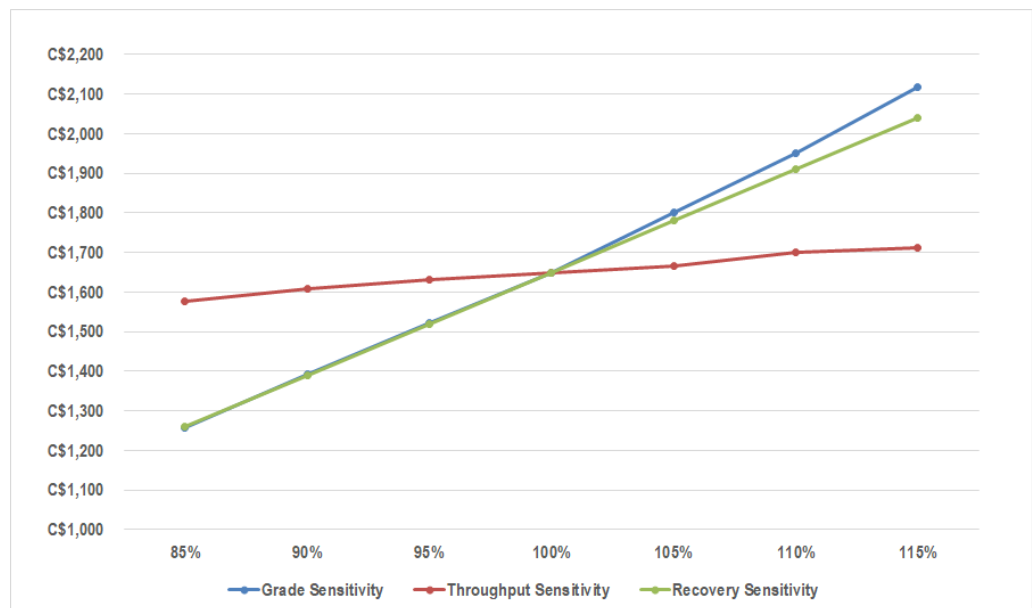
Source: Company reports and CIBC World Markets Inc.

**Exhibit 13: Victoria Gold – Free Cash Flow Profile, 2020 - 2027E**

Source: Company reports and CIBC World Markets Inc.

## Sensitivity Analysis

We have also performed sensitivities to grade, throughput, recoveries and gold price. As shown in the line chart in Exhibit 14, the Eagle mine is most sensitive to grade, followed by recoveries and gold price. Currently, grades mined are slightly higher than the mine plan and recoveries are reconciling well. The mine is less sensitive to throughput. Based on these results, we have limited concerns on the operational front as the mine has performed well over continuous quarters and we expect throughput to increase in 2022.

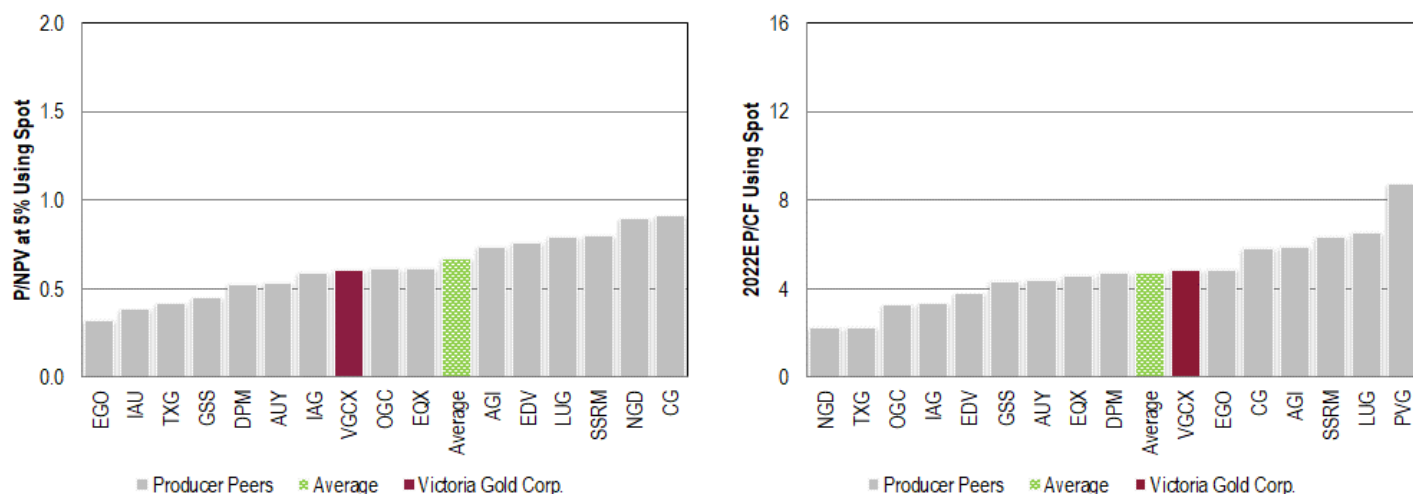
**Exhibit 14: Victoria Gold – Eagle Gold's NAV Sensitivity Analysis, January 11, 2022**

Source: Company reports and CIBC World Markets Inc.

## Relative Valuation

In the bar charts in Exhibit 15, we highlight the relative valuation of Victoria on a P/NAV5% and P/CF (2022E) basis versus mid-tier and junior gold producers. At spot prices, Victoria trades at 0.6x P/NAV5%, a discount compared to the peer average of 0.7x. On a cash flow basis, Victoria trades at 4.9x 2022E CFPS, a premium to producer peers in our coverage universe at 4.7x. We expect the shares to re-rate in the near term on the back of the following potential catalysts: 1) production reaching +200koz; 2) resource update at Eagle, expected in Q1/22; and, 3) Maiden resource estimate at Raven.

**Exhibit 15: Victoria Gold – Relative Valuation Vs. Mid-tier Producers In Our Coverage Universe, January 10, 2022**



Source: Company reports and CIBC World Markets Inc.

## Environment, Social And Governance (ESG)

Since its acquisition of StrataGold in 2009, Victoria Gold has gained over 10 years of exploration and development experience in the Yukon, including almost two years of operating experience. Victoria has a strong safety record at Eagle, with >4 million hours with only three Lost Time Injury (LTI) and >1.3 million hours since last LTI. The company operates the largest gold mine in Yukon and is the largest private sector employer in the territory with 350-400 employees, 50% of whom are Yukoners, 25% are women, and 25% are First Nations. As part of its Cooperation Benefits Agreement (CBA) with First Nation of Na-Cho Nyak Dun since 2011, Victoria has awarded ~\$200M worth of contracts to Yukon companies and raised over \$1M in support of improving student school attendance in Yukon through the Every Student, Every Day society. The company keeps locals engaged through the 'Potato Hills Press' newsletter which has been published three times a year (spring, summer & winter editions) since 2010. The newsletter provides updates on the Eagle mine and information related to various ESG-related initiatives Victoria conducts in the region.

Victoria Gold has a seven-member Board of Directors, chaired by T. Sean Harvey, and has one female Board member. The executive team of nine members also has one female member, Helena Kuikka (VP Exploration). Overall, the company has done well in maintaining its Social License To Operation (SLTO) in the region. However, in our view, Victoria could improve its ESG Risk Score (included in our ESG tear sheet on the next page) by adopting standard industry frameworks to monitor and disclose its ESG metrics and publishing a Sustainability report.

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

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

\* 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

Global Universe	14965/15085	99th
Precious Metals INDUSTRY	104/124	84th
Gold SUBINDUSTRY	78/97	80th

## 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	-6	Momentum	C
Beta	1.04	MACD	D
Volatility	↓	Alpha (Sector)	C
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.



## Price Target Calculation

We initiate coverage of Victoria Gold Corp. with an Outperformer rating and a 12- to 18-month price target of \$24.00. The price target implies a ~68% return to the closing price on January 10. We derive our \$24.00 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:

**Commodity Prices:** All mining companies are impacted to varying degrees by changes in commodity prices. Rising or falling commodity prices have a direct impact on earnings, cash flow, and NAV. Commodity prices also impact operating, capital spending and exploration decisions, which may have longer-term impacts.

**Single-asset Risk:** Victoria Gold is predominantly focused on Eagle Gold Mine/Dublin Gulch, increasing its potential risk exposure compared to more diversified, multi-asset operators under our coverage.

**Operational Risk:** Operating issues are inherent to all mining activities and can lead to production shortfalls, cost increases, and/or resource reductions (temporary or permanent). The impact on the estimates would depend on the nature, as well as the severity, of the operating issue.

**Permitting Risk:** Permits are essential for all development projects and mining operations. Delays in obtaining or refusal of critical permits can have significant ramifications on the valuation of a project or operation. The Eagle Gold Mine, assessed under the Yukon Environmental and Socio-economic Assessment Act (YESAA), currently holds a Quartz Mining License (QML) and a Water Use License (WUL). However, the Olive pit, the expansion of one of the Waste Rock Storage Areas (WRSAs) into an adjacent watershed, and the secondary Heap Leach Pad are not currently included in the QML or WUL. These additional projects are not considered in the mine plan until 2023.

**ESG Risk:** Mining companies face added scrutiny surrounding their ESG considerations, particularly potential environmental impacts at the asset level. Despite more than 10 years at Eagle Gold in Yukon, Victoria Gold still has a limited track record of operating a full-fledged mining operation as Eagle Gold was a development asset until its first gold pour in late 2019. We believe the company has done well to address potential environmental and social issues, but that it would benefit from more standardized ESG disclosures going forward.

## Appendix 1 – Company Management And Board

### Exhibit 16: Victoria Gold – Company Management, January 11, 2022

#### Management Team

<b>John McConnell</b> President, Chief Executive Officer and Director	Mr. McConnell has more than 35 years of mining experience, mostly spent in Canada's northern territories. Previously, he was President and CEO of Western Keltic Mines until it was acquired by Sherwood Copper. During his career he was Vice President, Northwest Territories Projects for De Beers Canada where he was primarily responsible for the permitting and development of the Snap Lake Diamond Mine. His experience also includes 12 years with Breakwater Resources Ltd. / Nanisivik Mines Ltd. in operations at the Nanisivik Zinc and Lead Mine on the northern tip of Baffin Island, and he spent six years with Strathcona Mineral Services Ltd. where his work included engineering, feasibility studies and project development. Mr. McConnell is a graduate of the Colorado School of Mines, with a B.Sc. in Mining Engineering. He is also a Director of Hudson Resources Inc. and Abacus Mining & Exploration Corp. A strong advocate for the mining industry, he is also a director of industry organizations Klondike Placer Miners' Association (KPMA) and the Mining Association of Canada (MAC).
<b>Mark Ayranto</b> Chief Operating Officer	Mr. Ayranto has 20 years of project development experience, including 10 years working in the Yukon, in which he has been focused on project development, including First Nations, engineering studies and permitting. In 2007, before Victoria Gold, Mr. Ayranto completed the first modern exploration agreement with the First Nation of Na-Cho Nyak Dun as well as the comprehensive cooperation benefits agreement (CBA) in 2011 to develop the Eagle Gold Mine. He is also founder and chairman of Banyan Gold and a chairman of the Yukon Minerals Advisory Board.
<b>Marty Rendall</b> Chief Financial Officer	Mr. Rendall joined Victoria Gold in 2007 as Chief Financial Officer. Throughout his career, he has been involved in every stage of a mine's life from early-stage exploration through studies and permitting into construction, operations and closure. Mr. Rendall has experience with gold, diamonds and base metals and previous employers include De Beers Canada and Breakwater Resources. He holds the Chartered Financial Analyst designation along with a Bachelor of Business Administration degree.
<b>Paul D. Gray</b> VP, Technical Services	Mr. Gray holds a Bachelor of Science (Honours) degree from Dalhousie University and is a member in good standing with the Association of Professional Engineers and Geoscientists of British Columbia. He has been the Principal of Paul D. Gray Geological Consultants for over 10 years, and handles Northern Canada exploration projects from permitting through execution. Mr. Gray has worked extensively as an exploration geologist in the mineral exploration industry in Canada, the United States, Asia and Central and South America for the past 21 years, concentrating on precious metals, base metals and uranium exploration and development. He has been working in the Yukon and North West Territories with advanced gold exploration projects since 2001 and has been part of the Victoria Gold team since 2013.
<b>Dave Rouleau</b> VP, Operations	Mr. Rouleau has more than 30 years of operational and management experience in the mining industry. Previously, he was Vice President of Operations with Barkerville Gold Mines; his experience includes five years with Taseko as Vice President of Operations, primarily responsible for the Gibraltar Mine. Prior thereto he was a key member of the Canadian Natural Resources Senior Management team developing the Horizon Oil Sands Project in Fort McMurray. His background also includes 17 years with Teck Cominco in various operational and engineering roles at a number of its mine sites. Mr. Rouleau holds a BSc in Mine Engineering from the South Dakota School of Mines and a Mine Technology Diploma from the Haileybury School of Mines.

Source: Company reports.

**Exhibit 17: Victoria Gold – Board of Directors, January 11, 2022****Board of Directors**

<b>T. Sean Harvey Chairman</b>	Mr. Harvey has over 10 years in investment and merchant banking, primarily focused on the mining sector. For the past 20 years he has held senior executive and Board positions with a number of mining companies, including TVX Gold Inc., Atlantico Gold Inc. and Orvana Minerals Corp. He also serves as a director of Perseus Mining Ltd. and Serabi Gold plc. Mr. Harvey has an M.B.A in Finance and an LL.B specializing in tax and corporate law.
<b>Mike McInnis Director</b>	Mr. McInnis brings over 35 years of experience in mineral exploration in North America and overseas to the Victoria board. He has over 25 years of experience in managing public resource companies and has a demonstrated track record in acquiring and developing high-quality mineral projects. He serves on the Board of Abacus Mining & Exploration Corp. and Canasil Resources Inc.
<b>Christopher Hill Director</b>	Mr. Hill held senior management positions at Kinross Gold Corporation from 1998 through 2010 and Aecon until 2016. Prior thereto, he spent time in the treasury department of Barrick Gold Corporation and was a trader for Lac Minerals and the Bank of Nova Scotia. Mr. Hill holds a Masters of Business Administration from the University of Toronto and a Bachelor of Business Administration from Wilfred Laurier University.
<b>Letha J. MacLachlan Q.C. Director</b>	Ms. MacLachlan gained experience in the mining industry through the practice of regulatory, environmental, and Aboriginal law in Northern Canada. For 35 years she practiced law and served on regulatory tribunals with a focus on resource development. She provided strategic advice and representation in relation to environmental impact assessments and approvals of mining and petroleum projects, permitting, and benefit agreements with affected Aboriginal communities and governments. Ms. MacLachlan was chair of the federal Panel that reviewed the environmental impact assessment of Canada's first diamond mine and has worked for several diamond and gold mining companies with projects north of 60°. She serves as a director on the board of a TSX-listed renewable energy company and on the boards of several not-for-profit organizations.
<b>Joseph Ovsenek Director</b>	Mr. Ovsenek has more than 25 years of experience in the mining industry, and is presently the President & CEO of Central Timmins Exploration Corp. Previously, he was President and CEO of Pretium Resources Inc. where he led the advancement of the high-grade gold Brucejack Mine which has been operating profitably since commercial start-up in 2017. Mr. Ovsenek began his nine-year tenure at Pretium in 2011 as Chief Development Officer and led the financing of the company from exploration stage to operations and was subsequently appointed President in 2015 and President and CEO in 2017. Prior to Pretium, he served for 15 years in senior management roles for Silver Standard Resources Inc., lastly as Senior Vice President, Corporate Development responsible for the sale of the Brucejack and Snowfield assets to the newly created Pretium Resources Inc. He holds a Bachelor of Applied Science degree from the University of British Columbia and a Bachelor of Laws degree from the University of Toronto. He is a registered member of the Association of Professional Engineers and Geoscientists of British Columbia.
<b>Stephen Scott Director</b>	Mr. Scott has more than 30 years of global experience in the mining industry, and is currently President and CEO of Entrée Resources Ltd. Prior to joining Entrée, he spent 15 years with the Rio Tinto Group in various international senior executive roles. Most recently with Rio Tinto, he was based in Canada and responsible for numerous corporate acquisition and divestment transactions, and prior thereto was President & Director of Rio Tinto Indonesia, overseeing all of Rio Tinto's activities in Indonesia, including its joint-venture interest in the Grasberg copper gold mine. Mr. Scott is an experienced public company director and currently serves on the Board of Directors of Atalaya Mining Plc. He holds a Bachelor of Business (Accounting) degree from Curtin University in Western Australia.

Source: Company reports.

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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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Tender	0	0.0%	Tender	0	0.0%
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