



Victoria Gold

VGCX-TSX

 Rating
Outperform

 Price: Jan-10
\$14.23

 Target
\$21.00

 Total Rtn
48%

Victoria Debt Terms Improved

Bottom Line:

Victoria Gold announced yesterday that it has amended the terms of its credit facility to reduce the interest rate by 0.5% on its term loan and revolving loan. VGXC cited its improving financials and expanding operating track record at the Eagle mine for the improved terms, and also extended the maturity of the revolver by one year. After reporting Q4 production last week, catalysts for VGXC include results from exploration and Project 250 engineering.

Key Points

- **The credit facility amendment reduces VGXC's borrowing cost** and reflects a company in the final stages of transition from project developer to producer. The interest rate is reduced by 0.50% to LIBOR plus 2.5-3.5% (depending on VGXC's leverage) and the current balance of the two \$100mm facilities is \$67mm for the term loan and \$68mm for the revolver.
- **VGXC announced Q4 production last week of 49,497oz**, meeting guidance which was revised downward in December after the Eagle mine encountered supply chain issues that impacted leaching rates. As we noted at the time, the issues have been resolved and the missed production in Q4 is expected to be picked up in Q1 and Q2 for no long-term impact.
- **Exploration results are pending and serve as a near-term potential catalyst.** Results are expected soon from 2021 drilling both below the Eagle pit, and at regional targets such as Raven and Lynx that have shown early signs of promise.
- **Engineering results for Project 250 should also serve as a catalyst.** Project 250 aims to increase annual gold production at Eagle to 250,000oz by 2023 through a combination of crushing circuit improvements and year-round ore stacking. Eagle currently stops stacking ore for approximately three months in the winter, but we note that other northern mines such as Kinross' (Restricted) Fort Knox in Alaska stack year-round, which bodes well for VGXC's aspirations at Eagle. Early engineering for the project was planned to finish in Q4, and we expect commentary on the results in the short term.

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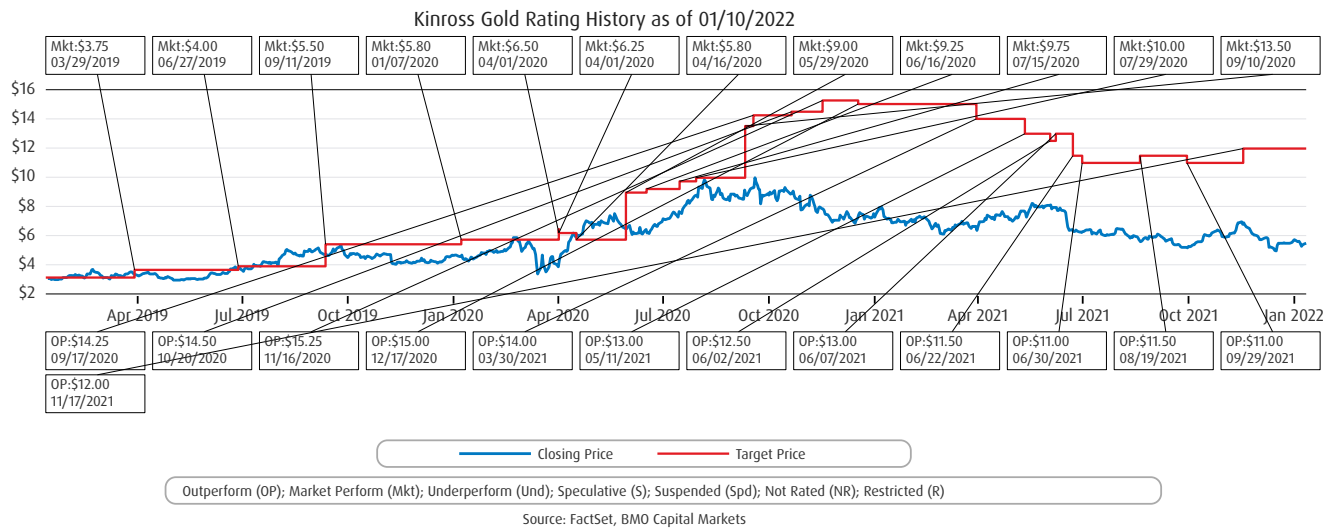
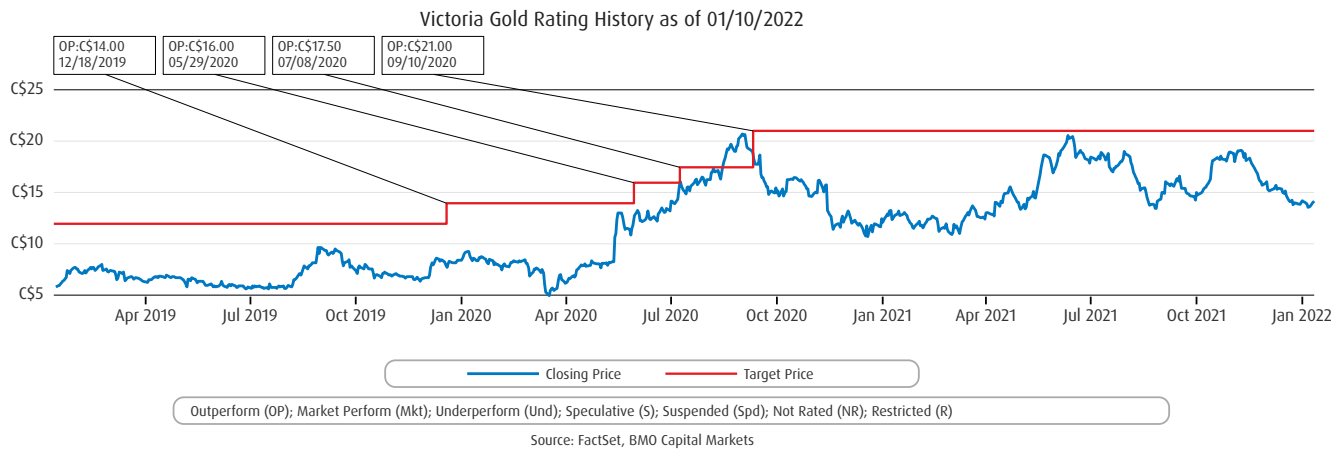
Company Description

Victoria Gold is in ramp-up of the Eagle Gold mine in the Yukon toward 2021 guidance of 180,000-200,000oz at an AISC between US\$1,050/oz and US\$1,175/oz. The December 2019 feasibility defined a +210,000oz/year production capacity at a low all-in sustaining cost of <US\$800/oz.


 VGXC-TSX
 Research


Glossary


 Company
 Models



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Disclosure 16: A research analyst has extensively viewed the material operations of Victoria Gold.

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Methodology: Target prices for senior and intermediate gold producers covered by BMO Research are based on a weighted blend of P/NPV adjusted for market capitalization and P/CF adjusted for growth.

Risks: Risks for Kinross include the development and execution of brownfield growth projects at Tasiast, Round Mountain, and Fort Knox and exploration and development. If these risks are greater than we expect, the stock could have difficulty achieving our target price. Likewise, if these risks are less than we expect, the stock could trade above our target price.

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 (January 10, 2022)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
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Hold	Market Perform	45.8 %	21.3 %	38.8 %	43.5 %	38.2 %	37.5%
Sell	Underperform	1.1 %	33.3 %	1.5 %	1.2 %	1.0 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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~ As of April 1, 2019.

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(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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