

Recommendation: **Buy**  
Target Price: **C\$23.00**

## Victoria Gold Corporation

(VGCX - TSX)

### Project 250 To Deliver Higher Production Levels

Unless otherwise denoted, all figures shown in US\$

Current Price	C\$14.58	Shares Outstanding (MM)	
52 Wk High	C\$22.54	Basic	62.6
52 Wk Low	C\$10.90	Diluted	66.0
Cash (MM)	C\$14.8	Mgmt and Dir	0.6
Debt (MM)	C\$227.4	Mkt Cap. (MM)	C\$912.9
NAV	C\$21.40	EV (MM)	C\$1,125.6
P/NAV	0.68x	Reserves	3.3MMoz
NAV (spot)	C\$21.60	Total Resource	5.3MMoz
P/NAV (spot)	0.68x		
Total Return	58%		

Fiscal YE Dec 31		2020A	2021E	2022E
Prod'n (000oz)	Q1	10.6	26.8A	25.9
	Q2	28.3	32.1A	55.1
	Q3	35.3	55.8A	59.1
	Q4	42.4	49.5A	60.0
	FY	116.6	164.2A	200.1
Cash Cost (\$/oz)		\$789	\$774	\$935
AISC (\$/oz)		\$1,209	\$1,228	\$1,172
Adj. EPS	Q1	C\$0.01	C\$0.15A	C\$0.06
	Q2	C\$0.01	C\$0.12A	C\$0.48
	Q3	C\$0.39	C\$0.53A	C\$0.55
	Q4	C\$0.49	C\$0.31	C\$0.56
	FY	C\$0.92	C\$1.12	C\$1.65
P/E		15.9x	13.0x	8.9x
Adj. CFPS	Q1	C\$(0.04)	C\$0.52A	C\$0.27
	Q2	C\$(0.04)	C\$0.49A	C\$0.86
	Q3	C\$0.50	C\$1.05A	C\$0.95
	Q4	C\$0.79	C\$0.63	C\$0.97
	FY	C\$1.24	C\$2.70	C\$3.05
P/CF		11.7x	5.4x	4.8x
FCF (MM)		C\$19.7	C\$13.4	C\$103.1
FCF Yield		2.2%	1.5%	11.3%

NAV: Cormark deck is \$1,800/oz; spot gold is \$1,819/oz

#### 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.

#### Event:

Project 250 scoping study details

#### Impact:

Positive

#### Commentary:

Victoria released details of its Project 250 Scoping Study that aimed to increase Eagle gold production to 250,000 oz/yr. The study concluded that the main addition to the process flow sheet is an intermediate scalping screen that will serve to bypass fine ore material from the crushing circuit directly to the heap leach pad. Adding this screen is expected to increase design throughput of the crushing circuit by approximately 15%, therefore increasing annual ore stacking on the heap leach pad by approximately 1.5 MMt.

The company indicated that early operations at Eagle experienced a higher percentage of fine ore material in the run of mine particle size distribution than the original design parameters contemplated. As such, the secondary/tertiary fine ore fraction has been higher than expected. The installation of a scalping screen system will serve to bypass ore fines prior to the tertiary crushing circuit and direct this material to the heap leach facility, which is expected to have a positive impact on the entire crushing facility productivity and throughput.

The scalping screen facility will be located just north of the current fine crushing plant. Fines will be scalped after secondary and prior to tertiary screening and crushing. The chosen location and layout allows for the construction of the screening facility without interrupting the operations through tie-in of two existing conveyors which will result in minimal downtime to commission the facility once constructed.

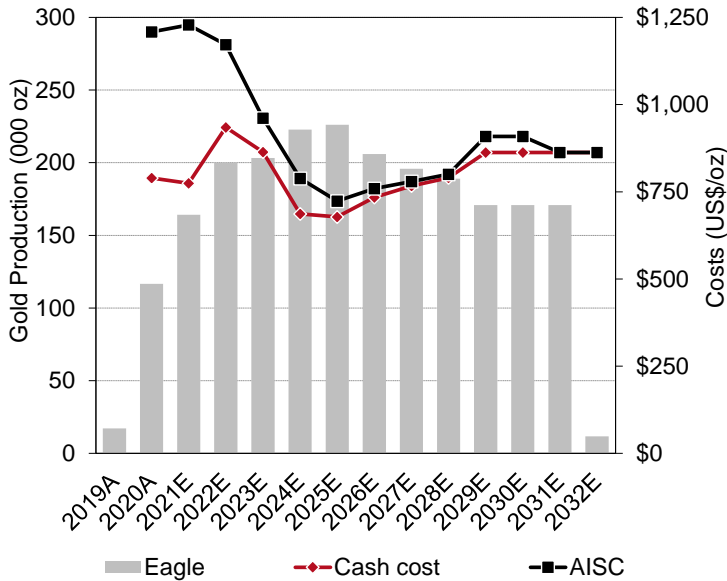
The study estimates that the capital cost for this screen is C\$18 MM (to be spent in 2022) and the incremental operating cost, based on throughput of 14 MMt/yr, is C\$0.04/t. Detailed engineering and procurement of equipment is underway to enable construction to start in Q2/22, and construction is expected to be completed by the end of 2022.

Project 250 also contemplates year-round stacking of the heap leach pad which will extend the overall stacking schedule from nine to eleven months a year. Stacking eleven months a year will allow for an annual four-week maintenance shutdown of the crushing circuit. Year-round stacking requires the addition of two 785 haul trucks and a loader.

#### Investment Conclusion:

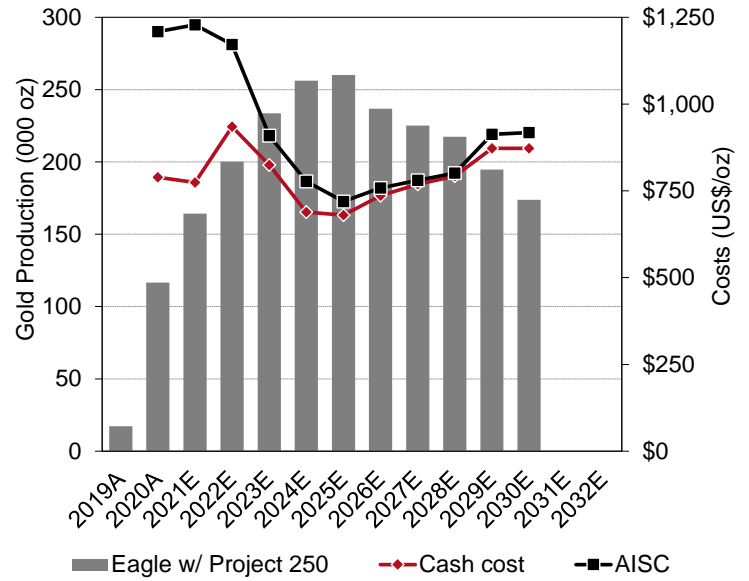
We have incorporated the cost and throughput parameters provided by Project 250, and the result is higher annual production (Figures 1-2) and an increase in our NAV to C\$21.40 (from the previous C\$20.50). While the mine life is shortened modestly, we believe an updated reserve and resulting mine plan later this year will reflect more ounces and a longer mine life. We also look forward to a maiden resource from the Raven target that could ultimately be incorporated into the production profile as well. As a result of the changes made, we are increasing our target price to C\$23.00 (from C\$22.00).

Figure 1 - Production and Cost Profile (Previous)



Source: Cormark Securities Inc.

Figure 2 - Production & Cost Profile (New)



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:

Buy or Top Pick	86%
Market Perform	11%
Reduce or Tender	3%
Not Rated	0%

The analyst viewed the material operations of Victoria Gold Corporation.  
 The analyst, associate or any individual responsible for the preparation of this research, or a member of that person's household, has a long position in the shares or derivatives of Victoria Gold Corporation.

*This report has been prepared by Cormark Securities Inc., which is regulated by the Investment Industry Regulatory Organization of Canada ("IIROC"). Cormark Securities Inc. and, its wholly owned affiliate, Cormark Securities (USA) Limited (collectively "CSI") are in compliance with IIROC and the Financial Industry Regulatory Authority research report rules and regulations where they apply. The firm does not receive compensation for any non-securities or non-investment banking related services. Neither the analyst nor the associate (if any), or any member of his/her household, serve as an officer, director or employee or serve in any advisory capacity of the subject company(ies) under their coverage.*

CSI actively solicit investment banking business, including underwriting and advisory services, from its research coverage list. As a result, although uncertain, revenue from these activities may be received at any time.

All relevant disclosures required by regulatory rules (including IIROC) and Cormark's recommendation statistics and research dissemination policies can be obtained at [www.cormark.com](http://www.cormark.com).

Cormark will provide, upon request, a statement of its financial condition and a list of the names of its Directors and senior officers.

#### Recommendation Terminology

Cormark's recommendation terminology is as follows:

**Top Pick** our best investment ideas, the greatest potential value appreciation

**Buy** expected to outperform its peer group

**Market Perform** expected to perform with its peer group

**Reduce** expected to underperform its peer group

**Tender** clients are advised to tender their shares to a takeover bid

**Not Rated** currently restricted from publishing, or our recommendation is under review  
Our ratings may be followed by "(S)" which denotes that the investment is speculative and has a higher degree of risk associated with it.

Additionally, our target prices are set based on a 12-month investment horizon.

**For Canadian Residents:** This report has been approved by Cormark Securities Inc. ("CSI"), member IIROC and CIPF, which takes responsibility for this report and its dissemination in Canada. Canadian clients wishing to effect transactions in any security discussed should do so through a qualified salesperson of CSI. **For US Residents:** Cormark Securities (USA) Limited ("CUSA"), member FINRA and SIPC, accepts responsibility for this report and its dissemination in the United States. This report is intended for distribution in the United States only to certain institutional investors. US clients wishing to effect transactions in any security discussed should do so through a qualified salesperson of CUSA. Any research analyst contributing to this report is not registered as a research analyst with FINRA and is not an associated person of CUSA and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

Every province in Canada, state in the US, and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, some of the securities discussed in this report may not be available to every interested investor. This report is not, and under no circumstances, should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to all clients and does not have regard to the particular circumstances or needs of any specific person who may read it. This report is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein.

The information and any statistical data contained herein have been obtained from sources believed to be reliable as of the date of publication, but the accuracy or completeness of the information is not guaranteed, nor in providing it does CSI or CUSA assume any responsibility or liability. All opinions expressed and data provided herein are subject to change without notice. The inventories of CSI or CUSA, its affiliated companies and the holdings of their respective directors, officers and companies with which they are associated may have a long or short position or deal as principal in the securities discussed herein. A CSI or CUSA company may have acted as underwriter or initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial advisory, or other services for such company. The securities mentioned in this report may not be suitable for all types of investors; their prices, value and/or the income they produce may fluctuate and/or be adversely affected by exchange rates.

No part of any report may be reproduced in any manner without prior written permission of CSI.

A full list of our disclosure statements as well as our research dissemination policies and procedures can be found on our web-site at: [www.cormark.com](http://www.cormark.com)

Each research analyst and research associate who authored this document hereby certifies that the recommendations and opinions expressed in the research report accurately reflect their personal views about the subject company (ies) and its (their) securities and that they have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.