

Victoria Gold Corp.

PRECIOUS METALS

Don Blyth, Analyst | 416.360.3461 | dblyth@paradigmcap.com
Don MacLean, Analyst | 416.360.3459 | dmaclean@paradigmcap.com
Lauren McConnell, Analyst | 416.366.7776 | lmccconnell@paradigmcap.com
Nick Dunton, Jr. Analyst | 416.365.5297 | ndunton@paradigmcap.com

All figures in C\$, unless otherwise noted.

Rating: Speculative Buy

unchanged

12-Month Target: \$17.00

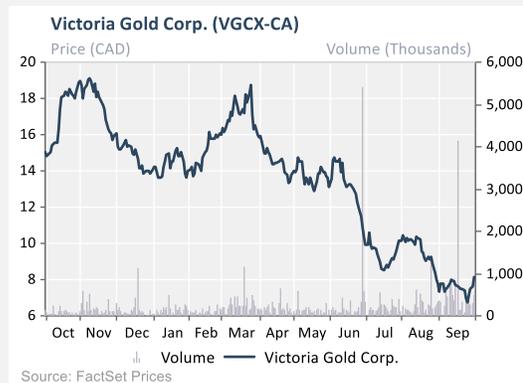
unchanged

Price (C\$)		\$8.19
Ticker		VGCX-T
FYE		31-Dec
Potential ROR (incl. dividend)		108%
Avg 3-month daily vol. (000s)		393
Shares O/S	Basic (M)	64.5
	FD (M)*	64.9
Market Cap	Basic (C\$M)	528
	FD (C\$M)*	531
Annual Dividend (C\$/sh) / Yield	\$0.00	0%
Company's Reporting Currency		C\$
Cash (\$M)		29
Long-Term Debt (\$M)		167
Working Capital (\$M)		94
Enterprise Value (\$M)		666
Net Asset Value (\$M) **		1,228
Net Asset Value (C\$/sh) **		19.25

* FD - Fully diluted includes in-the-money options & warrants

** NAV calculated using spot gold, US\$1,700/oz, 5% DCF

PCI Est	FY22e	FY23e	FY24e
Revenue (\$M)	385.3	423.5	503.8
previously	n/c	n/c	n/c
CFPS (\$)	2.11	2.11	3.84
previously	n/c	n/c	n/c
EPS (\$)	1.12	0.92	2.12
previously	n/c	n/c	n/c
Consensus Est	FY22e	FY23e	FY24e
CFPS (\$)	2.16	2.42	3.05
EPS (\$)	1.38	1.72	1.58
Operational Data	FY22e	FY23e	FY24e
<i>(All Operational Data items are Paradigm Capital Estimates)</i>			
Gold Prod'n (Koz)	165.0	185.7	217.8
Cash Cost (US\$/oz)	\$724	\$768	\$658
AISC (US\$/oz)	\$1,388	\$1,071	\$846



Source: FactSet, Company filings, Paradigm Capital Inc.

Company description: Victoria Gold is a gold producer with its flagship Eagle gold mine in the Yukon, Canada, forecast to produce ~200Koz/year for ~10 years, with a large surrounding land package and abundant exploration upside potential.

The Eagle Both Lands and Soars

Investment Thesis. Victoria Gold's Eagle mine is a cornerstone asset, capable of producing 200Koz+ annually, and with a long (~10-year) defined reserve base. The company has revealed its "Project 250", which aims to increase annual production to 250Koz by 2023. Exploration success is suggesting further expansionary potential.

Event

We recently toured Victoria Gold's Eagle mine and came away with the impression that this Eagle has both "landed" (i.e., the heap-leach operations appear to be reaching "steady-state") and is "soaring" (i.e., the exploration/expansion potential is stronger than ever).

Highlights

- ▶ Heap Leach Operations Appear to Be Reaching Steady-state** | Victoria's "in-valley" heap-leach pad at Eagle appears to have grown sufficiently in size to enable maximum primary leaching while accommodating ramps and laydown areas. The operations appear to be reaching steady-state. We expect affirmation of this when Q3 production is reported.
- ▶ Exploration Success on Multiple Fronts for Organic Growth** | Recent exploration results have demonstrated excellent potential to grow the Eagle pit both laterally and at depth; we see potential for a 2–5 year mine life expansion laterally, and perhaps another decade if the economics allow pit deepening. We were also impressed that the regional exploration on the larger Dublin Gulch property is building critical mass for a future expansion, which could include a milling operation.
- ▶ Neighbouring Banyan Gold Project Demonstrating Major "Camp" Potential** | We also toured Bayan Gold's (BYN-V, C\$0.41, NR; C\$98M Mkt Cap, Dirt Dozen Explorer) AurMac project located 25 km (42 km by road) from the Eagle mine. This is a geological lookalike to the Eagle mine, and BYN has outlined a 4Moz inferred resource (@ ~0.6 g/t) contained within three deposits. Two of those deposits, Powerline and Aurex Hill, are likely connected, and with an ongoing 60,000m drill program now over two-thirds complete, we think an updated resource could be in the 5–7Moz range. Combined with Victoria's Eagle, this is suggesting the emergence of a 10Moz+ camp.

Valuation & Conclusion

Victoria Gold's share price has performed well in the past week (tour began on Sept. 27), up +17% versus a junior producer median of +6%. However, VGX is still an underperformer YTD, down -43% versus the -30% peer median. We believe the longer-term underperformance is market disappointment that the 2022 production guidance was <200Koz at 165–190Koz and was guided to be at the lower end of that range after Q2. In H1/22, VGX produced 56.4Koz, leaving 108.6Koz to be produced in H2 to meet the low-end of guidance. Management was adamant in reiterating guidance, so we expect Q3 production (which should be reported in the next few days) should be ~50Koz. If this is the case, it will help affirm our view that the heap leach does appear to be reaching its steady-state nameplate ~200Koz/year production. There are initiatives underway that could grow this toward 250Koz/year and exploration is showing long-term potential to extend the mine life and/or further increase the production rate. We have left our model unchanged and maintain our Speculative Buy rating and \$17.00 target, which we will review after the Q3 production results.

Mine Reaches Critical Size to Allow Steady-State

With heap-leach operations, gold is being leached from all the ore that has ever been stacked, so quarterly production is not just from the ore stacked/processed that quarter as it is in a typical milling operation. As such, when a heap leach first starts up, the production can be uneven and more variable, but as the heap reaches a critical size, the operations become more steady-state with less variability. In the early quarters at Eagle with the valley-fill design there were periods when the heap leach was a bit of a traffic jam and new stacking hampered leaching performance.

Our tour of the operations was abbreviated owing to geographical challenges with our travel logistics; as such, we saw it during a shift change when activity was unusually quiet. However, we could see that the heap leach has now reached a sufficient size to allow areas under leach to be separated from those currently being stacked. As such, we believe the Eagle operations have now reached a steady-state and expect the operations to produce ~50–60Koz quarterly. The best affirmation of this will be the Q3 production results, which we expect to be reported within the next week or so.

Strong Organic Exploration Growth

Expanding the existing Eagle pit is the most obvious low-hanging fruit for extending Eagle's mine life. While this may not be particularly exciting to the market since Eagle still has about nine years of remaining planned mine life, it should be noted that there have been some very interesting exploration results, like the 72.3m @ 1.14 g/t including 32.7m @ 2.24 g/t announced a few weeks ago. That intercept was outside the current mine plan and started from surface, west of the existing planned pit. It's nice to see some zones of higher-than-average grade (reserve grade is 0.65 g/t). Conceptually, we see this as having potential to add 3–5 years to the mine life. And the pit could very well be expanded to greater depths, and that could add a decade or more, assuming the economics warrant it (the strip ratio will undoubtedly increase for that). It is very clear that Eagle has plenty more potential life beyond the current mine plan (to 2031).

We were also impressed with the regional exploration on the larger Dublin Gulch property. There is a small reserve of 200Koz at the Olive deposit that is higher grade than Eagle but has a lower recovery rate of ~50% expected from the heap leach. Now other discoveries along what is known as the Potato Hills Trend are starting to suggest this style of mineralization might justify a milling operation. In mid-September, VGCX announced an inaugural resource at Raven of 1.07Moz @ 1.67 g/t. This again is that different style of mineralization with many more sulphides, making it less amenable to heap leaching. But as opposed to having just 200Koz, over 1Moz makes you start thinking about the potential to build a mill circuit, which would achieve much higher gold recoveries for this mineralization. Raven's inaugural resource is unlikely to be the last, it looks to still be growing. And there are other regional targets yet to test. It is a bit premature to try to start modelling a mill circuit, but VGCX is starting to get the critical mass of resources that this is likely going to make sense.

Banyan Gold: An “Eagle Lookalike” Located Next Door

We also toured Banyan Gold and its AurMac project located adjacent to the Eagle operations. We have been monitoring the Banyan story for a while. BYN had 1Moz of resources, which then vaulted to 4Moz in mid-2022, at which time we added it to our Dirt Dozen favourite explorers. The mineralized system at the AurMac project is very similar to Eagle, a low-grade sheeted vein system, and the continuity that BYN has been encountering is remarkable. The company is well funded and about two-thirds of the way through a planned 60,000m drill program. As they systematically step out, each additional drill hole is likely adding ~20Koz and this is relatively shallow, concentrating on the top 200m from surface. The project is close to Victoria's Eagle mine (~25-km straight-line distance, 42 km by existing road). The two companies share plenty of information and Banyan's Vice President of Exploration is also Victoria's Vice President of Technical Services. And the CEOs of the two companies are married to each other. While there is obviously a lot of data-sharing and co-operation, Banyan does have a good board structure to help ensure proper independence from Victoria. Banyan originally optioned the AurMac property (in two major claim blocks) in 2017 from Victoria and currently owns a 51% interest with additional cash/share payments and NSR royalties in favour of VGCX due to secure 100% ownership. So, it certainly would make plenty of sense to consider combining the two companies at some point, which conceptually would consolidate what appears to be a 10Moz+ emerging gold camp.

DISCLAIMER SECTION

Company	Ticker	Disclosures
Victoria Gold Corp.	VGCX-CA	3,5

Note: Please refer to above table for applicable disclosure numbers.

Don Blyth toured the Eagle mine in the Yukon in September 2022. The company paid for a portion of the trip.

- The analyst has an ownership position in the subject company.
- Paradigm Capital Inc. has assumed an underwriting liability for, and/or provided financial advice for consideration to the subject companies during the past 12 months.
- Paradigm Capital Inc. expects to receive or intends to seek compensation for investment banking services from the subject companies in the next 3 months.
- Paradigm Capital Inc. has greater than a 1% ownership position in the subject company.
- The analyst has a family relationship with an Officer/Director of subject company.
- A partner, director, officer, employee or agent of Paradigm Capital Inc. is an officer or director of the issuer.

Paradigm's disclosure policies and research distribution procedures can be found on our website at www.paradigmcap.com. Paradigm Capital Inc. research is available on Bloomberg, CapitalIQ, FactSet and Thomson Reuters or at www.paradigmcap.com. Issued by Paradigm Capital Inc.

Stock Coverage History

Date	Target	Rating	Estimates
5/14/2021	\$17.00↑	Spec Buy	
2/12/2009	\$1.50	Spec Buy	Initiating Coverage

Research Rating System

Paradigm Capital Inc. uses the following rating recommendation guidelines in its research:

Recommendation	Number of Companies	Percentage Breakdown	
Buy	97	63%	Buy – Expected returns of 20% or more over 12 months.
Spec. Buy	49	32%	Speculative Buy - Expected returns of 20% or more over the next 12 months on high-risk development or pre-revenue companies, such as junior mining and other early stage companies.
Hold	9	3%	Hold - Expected returns of less than +/- 20% over the next 12 months. Includes companies Under Review.
Sell*	0	0%	Sell - Expected returns of -20% or more over the next 12 months.
Total	155		

*Includes companies with a "Tender" recommendation

About Paradigm Capital Inc.

Paradigm Capital Inc. (PCI) is a research-driven, independent, institutional equity investment dealer focused on sectors and companies that have attractive long-term secular growth prospects. PCI's research is available on our website at www.paradigmcap.com. Please speak to your Sales or Trading Representative if you require access to the website.

The analyst (and associate) certify that the views expressed in this report accurately reflect their personal views about the subject securities or issuers. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations expressed in this research report.

Analysts are compensated through a combined base salary and bonus payout system. The bonus payout is determined by revenues generated directly or indirectly from various departments including Investment Banking, based on a system that includes the following criteria: reports generated, timeliness, performance of recommendations, knowledge of industry, quality of research and investment guidance and client feedback. Analysts are not directly compensated for specific Investment Banking transactions.

The opinions, estimates and projections contained herein are those of PCI as of the date hereof and are subject to change without notice. PCI makes every effort to ensure that the contents herein have been compiled or derived from sources believed reliable and contain information and opinions, which are accurate and complete. However, PCI makes no representation or warranty, express or implied, in respect thereof, and takes no responsibility for any errors and omissions that may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this research report or its contents. Information may be available to PCI, which is not reflected herein. This research report is not to be construed as an offer to sell or solicitation for or an offer to buy any securities. PCI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. PCI may act as financial advisor and/or underwriter for certain of the corporations mentioned herein and may receive remuneration for same. PCI is a member of The Toronto Stock Exchange, The TSX Venture Exchange and The Investment Industry Regulatory Organization of Canada (IIROC).

Any products or services mentioned on this website are made available only in accordance with local law (including applicable securities laws) and only where they may be lawfully offered for sale. PCI will not open accounts except in jurisdictions in which it is registered.

To U.S. Residents: This report was prepared by PCI which is not subject to U.S. rules with regard to the preparation of research reports and the independence of analysts. PCI U.S., affiliate of PCI, accepts responsibility for the contents herein, subject to the terms as set out above. Any U.S. person wishing to effect transactions in any security discussed herein should do so through PCI U.S.