

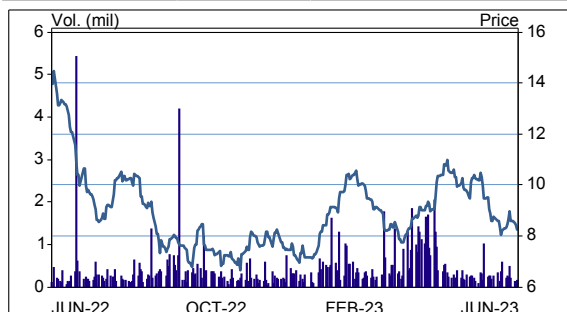
**Victoria Gold Corp. (VGCX.TO)**  
**Rating: Buy**

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## Site Visit to the Eagle Mine Displays Streamlined Mining Operations Amid Continued Focus on ESG; Reiterate Buy; PT Lower

Stock Data		06/07/2023	
Price		C\$8.26	
Exchange		TSX	
Price Target		C\$20.00	
52-Week High		C\$14.74	
52-Week Low		C\$6.56	
Enterprise Value (M)		C\$763	
Market Cap (M)		C\$533	
Shares Outstanding (M)		64.5	
3 Month Avg Volume		540,027	
Short Interest (M)		0.23	
Balance Sheet Metrics			
Cash (M)		C\$36.10	
Total Debt (M)		C\$265.80	
Total Cash/Share		C\$0.56	
EPS (C\$) Diluted			
Full Year - Dec	2021A	2022A	2023E
FY	1.68	0.54	0.65
Revenue (C\$M)			
Full Year - Dec	2021A	2022A	2023E
FY	C\$356.5	C\$321.8	C\$397.3



**Site visit to the Eagle Gold Mine.** From June 5-7, 2023, we attended the analyst site visit to Victoria Gold's Eagle Mine in the Yukon. Notably, this site visit represents our third trip to site, with the first one getting organized by the Yukon mining Alliance (YMA) in 2004 and a more recent analyst tour in June 2022. Overall, this visit ranks as the most comprehensive as we had the chance to see the pit, leach pad, ADR, and water treatment plant up-close.

**Tour of the leach pad as Victoria looks to streamline operations.** During our visit, we had a chance to see the leach pad at site, which has a current capacity of about 6M tonnes. Despite improved operations as of late, we highlight that Victoria has elected to decrease the size of its leaching cells, which enables the firm to take certain areas offline for maintenance and service as needed. Additionally, management emphasized that its cyanide costs have increased relative to pre-COVID levels, although they remain lower than costs seen during the pandemic as supply chain issues have been mostly resolved.

**Strong environmental, social, and governance (ESG) focus.** During the trip, it was evident that Victoria placed a strong importance on its ESG initiatives at site and beyond. This became especially apparent as we visited the firm's water reclamation plant. Additionally, we were able to see the company's ongoing reclamation activities at the Eagle Mine, which are being implemented in tandem with the firm's mining operations. Overall, we were once again impressed with Victoria's operations at site and remain optimistic about the company's ability to streamline the Eagle Mine following a few minor setbacks seen in 2022.

**We are reiterating our Buy Rating while slightly lowering our PT C\$20 from C\$21.** Our lower PT is entirely based on a less favorable CAD/USD exchange rate. Our valuation for the company remains based on a DCF of Victoria Gold's Eagle Gold Mine, to which we assign an unchanged 9.0% discount rate. This yields a project NAV of roughly C\$1.34B, or C\$19.67 per share. We then add a further C\$50.0M for exploration upside that mostly accounts for Raven. Finally, we account for VGCX's C\$36.1M in cash and marketable securities, coupled with about C\$223.6M in inventories, while subtracting the company's debt. We then round this figure to the nearest C\$1.00 for our final price target of C\$20.00 per share.

**Revisiting 2023 expectations.** Victoria remains on track to reach various production and operational metrics as laid out in the project's life of mine (LOM) plan. In turn, the operation is presently expected to reach an average production rate of 202,000 ounces of gold per year. From a cost perspective, the firm anticipates sustaining capital, not including stripping, to come in at about \$23M during 2023. In addition, capitalized waste stripping is expected to be \$38M for the year. Waste stripping activities for 2023 are slated to exceed the LOM average annual rate, while stripping is anticipated to be expensed or capitalized depending on the achievable stripping ratio, relative to the LOM ratio.

**Risks.** Gold price risks; operating and technical risks; and financial risks.

**We attended the Victoria Gold analyst visit to the Eagle Mine in the Yukon from June 5 – 7, 2023.**

The group visit, which was attended by four different investment banks, started with a trip from Whitehorse to Victoria's camp on June 5, 2023. The next day we proceeded from camp to the site, which took about an hour for the 50-kilometer (km) drive, and was mostly on gravel roads. We received a health and safety overview followed by a company presentation upon arrival at site. We then proceeded to the pit, followed by the leach pad, the ADR, and finally, the water treatment plant. We then returned to the office for lunch before leaving for another mine site and returned to Victoria's camp in the evening for a flight back to Whitehorse the next day.

**We have visited Eagle twice in the past.** The first time was during a group visit with the Yukon Mining Alliance in 2004 when Eagle was nothing but an exploration site. Our second time at the site was with an analyst tour from June 28 – 30, 2022. We direct readers to our September 26, 2022, initiation report titled, ["Nearing Full Production: Focus on Expansion and Exploration: Initiating Coverage With a Buy Rating and PT of C\\$23."](#) for more details on our last visit to the site and the progress management has made since then.

**Exhibit 1: Aerial Overview of Eagle**

*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**The presentation emphasized that safety at site remains paramount.** The site presently employs about 330 workers. At present, approximately 250 of them are employees, while the remaining 80 people are employed by contractors. We stress that Victoria has only had two lost-time incidents (LTI) since starting work at site, with the last 2 million hours being LTI-free. Even though employment at site involves hundreds of people, management stated that the average total recordable injury frequency rate (TRIFR) for Eagle is only 0.35, which compares quite favorably to the average Canadian TRIFR of 2.2.



**ESG relations remain favorable.** Victoria placed meaningful emphasis on its ESG relations with the Yukon and the various communities and other stakeholders located within. As an example, a large number of the truck drivers are female, while the company attempts to employ as many locals as possible in its operations. In addition, we stress that this figure is only direct employment, while indirect employment is likely quite a bit higher.

**Following our presentations we proceeded to the pit.** Notably, the average blast at Eagle provides about 150,000 – 200,000 tonnes of rock. We had a chance to see some of the ore-bearing veins (the white lines in Exhibit 3) that were about to get mined. To prepare for the future, the company is presently already doing some work on Phase 2 of its operations, while Phase 3 is anticipated to start in the future.

**Exhibit 2: Pit at the Eagle Mine**



*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**Exhibit 3: Ore at the Eagle Mine**



*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*



**Equipment at site is built to last.** Victoria's team stated that their average haul truck lasts about 100,000 hours, while the average D10 dozer gets 35,000 hours. After some usage, their equipment gets rebuilt about every 20,000 hours. This costs about 40% of the new price. The firm stated that its equipment today would be substantially more expensive than the price paid when it was originally purchased.

**Exhibit 4: Caterpillar Equipment at the Eagle Mine**



*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**Management stressed that Eagle should not require any large-scale new equipment purchases in the foreseeable future.** Notably, VGCX paid about \$65M for its equipment at site. This figure compares quite favorably to an estimated replacement cost of \$120M today, especially as it would likely take about 1.5 years of lead time to get it all delivered.

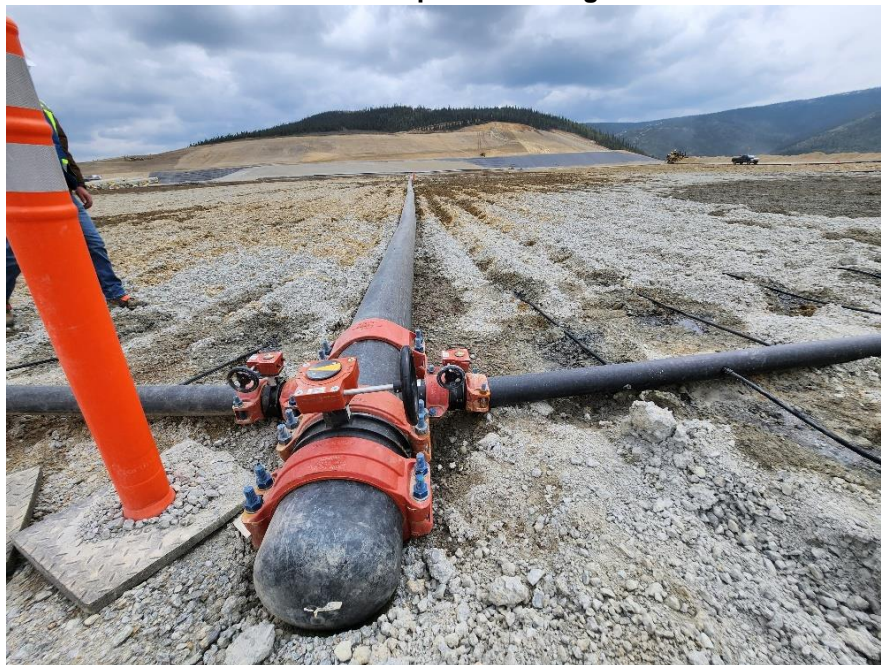
**We also had a chance to see Victoria's large-scale crushers while getting an overlook of the pit.** Even though we were some distance away, it was nonetheless impressive to see the size and scale of the primary and secondary crushers when compared to, for example, vehicles in the area.



**Exhibit 5: Primary and Secondary Crusher at the Eagle Mine**

Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.

**Following the pit we proceeded to receive a tour of the leach pad.** Importantly, Victoria's leach pad capacity is currently about 6 million tonnes. Although operations have been running quite well, the firm has recently decreased the size of its leaching cells. Now that the areas are smaller, the company can take smaller areas offline for maintenance if needed. Costs for cyanide have increased to \$3,500 - \$4,000 per tonne, compared with \$3,000 - \$3,500 per tonne before COVID, though pricing remains well below a high of \$5,500 per tonne that was reached during COVID.

**Exhibit 6: Leach pad at the Eagle Mine**

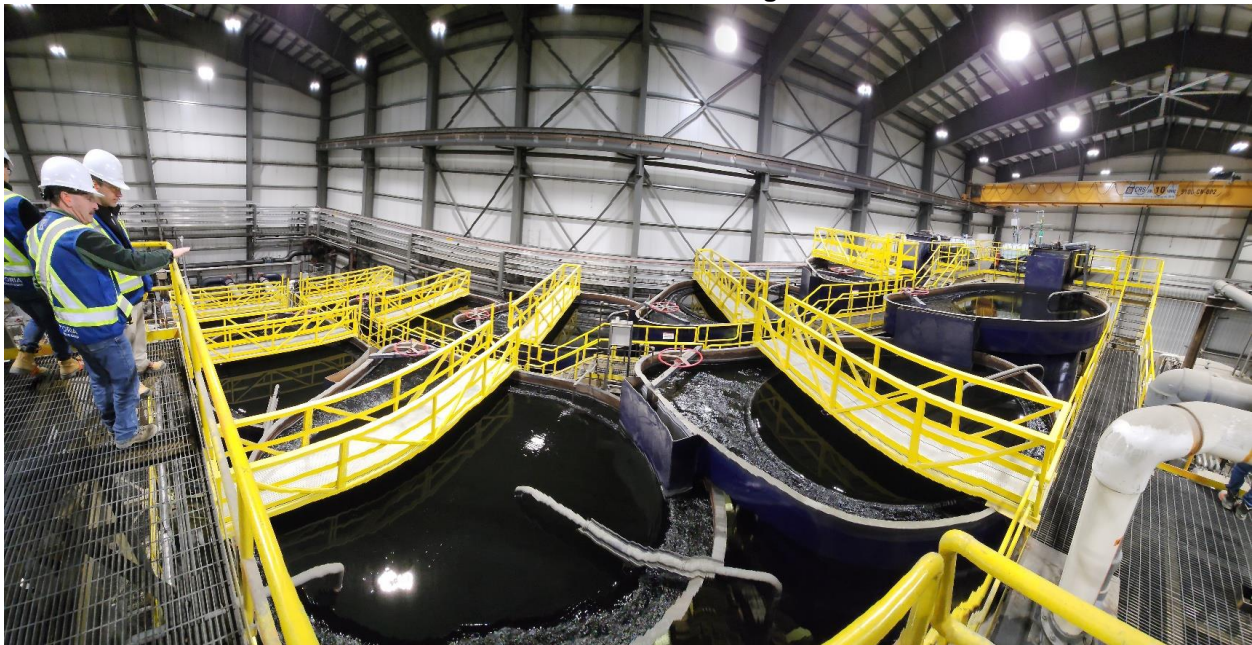
Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.



**Exhibit 7: Close-up of Leach pad at the Eagle Mine**

*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**Our next stop was the ADR plant.** Importantly, the plant appeared to be running well. We highlight that the processing of material in the ADR plant is reasonably straightforward and almost exclusively utilizes “off-the-shelf” components. Importantly, we paid particular attention to safety precautions undertaken, such as the footboards displayed in Exhibit 9 on page 7. Overall, we did not see any issues that would be of concern. This reaffirmed our view that safety precautions were paramount for the site, as discussed above.

**Exhibit 8: ADR Plant at the Eagle Mine**

*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*



**Exhibit 9: Properly and Continuously Installed Footboards at the Eagle Mine**

*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

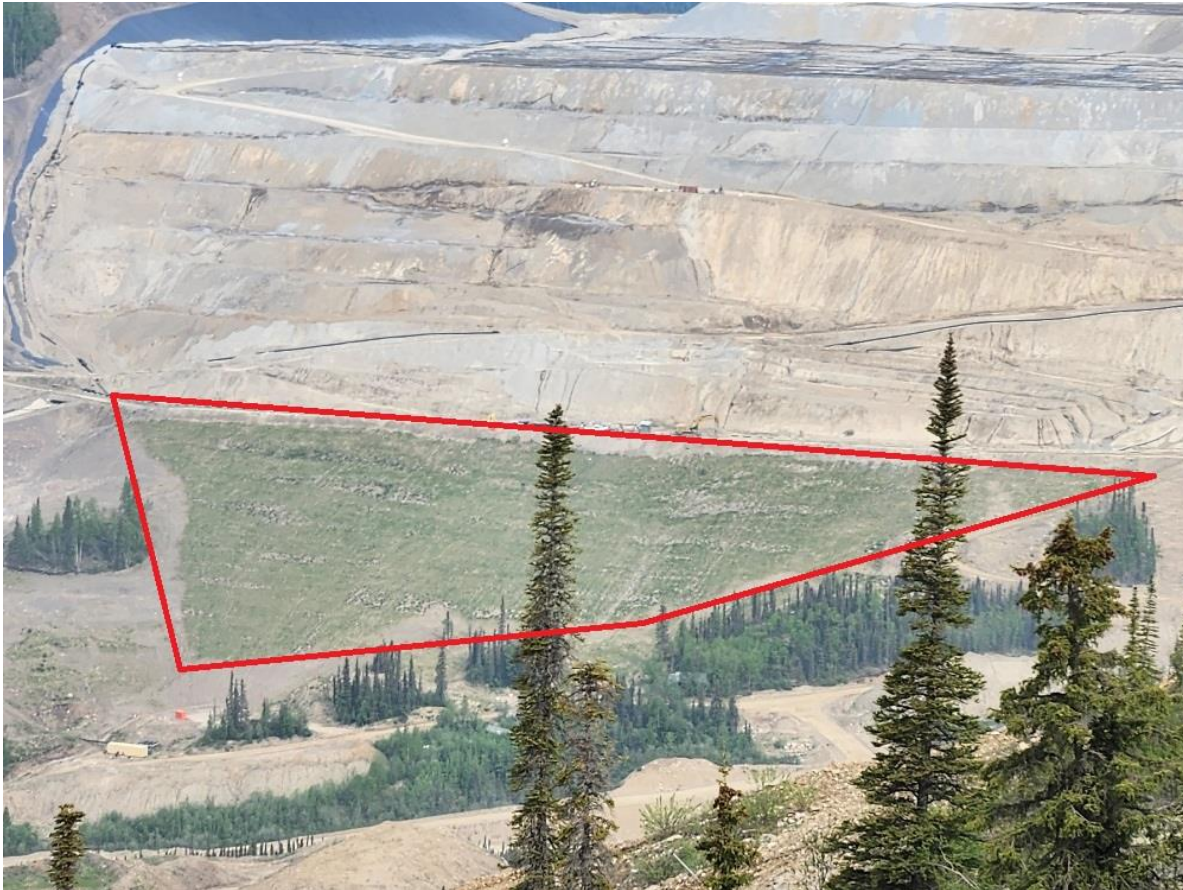
**Our last stop was the water reclamation plant.** Reiterating Victoria's commitment to being a good steward to the Yukon and its stakeholders, the water reclamation plant has been built with additional room for growth. As with the ADR plant, safety precautions to North American standards seemed to be followed while the plant appeared to be functioning as planned.

**Exhibit 10: Water Reclamation Plant at the Eagle Mine**

*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**Management has already started to reclaim some lands from its mine.** As mentioned earlier in this report, we believe that the company is taking its ESG responsibilities quite seriously. Therefore the company has already started some remediation and reclamation work on areas that are unlikely to be needed in the future, although Eagle is likely to operate for a long period of time. This reclamation should ultimately lead to reforestation with native plants and trees, making the area look unspoiled after mining has been consummated.

**Exhibit 11: Reclamation at the Eagle Mine**



*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**During our departure from the site we had a chance to see the Nugget deposit, which is akin to the Eagle host rock, from the air.** In our view, Nugget is only one of several examples that display continued ambitions to extend the mine life that is presently undertaken by the management team. We expect Nugget to be moved towards eventual production in the longer-term and anticipate continued investment into drilling out the deposit and similar areas over the next few years. Notably, Exhibit 12 on the next page shows several drill pads, thereby displaying the investment that has already been made into the area.



**Exhibit 12: The Nugget deposit**

*Source: H.C. Wainwright & Co. site visit to Victoria Gold's Eagle mine on June 5 – 7, 2023.*

**In conclusion, Victoria's experienced management appears to be making continued progress at the site.** This was even visible when comparing our recent trip to the site visit undertaken just last year. In our view, the site successfully combines safety, ESG, further growth, and continued improvements in production results. Although results over the past year came in slightly below our prior expectations, we expect this shortfall to be temporary and improve going forward.

**We are reiterating our Buy Rating while slightly lowering our PT C\$20 from C\$21.** Our lower PT is entirely based on a less favorable CAD/USD exchange rate. Our valuation for the company remains based on a DCF of Victoria Gold's Eagle Gold Mine, to which we assign an unchanged 9.0% discount rate. This yields a project NAV of roughly C\$1.34B, or C\$19.67 per share. We then add a further C\$50.0M for exploration upside that mostly accounts for Raven. Finally, we account for VGCX's C\$36.1M in cash and marketable securities, coupled with about C\$223.6M in inventories, while subtracting the company's debt. We then round this figure to the nearest C\$1.00 for our final price target of C\$20.00 per share.

**Risks.** Gold price risks; operating and technical risks; and financial risks.

Eagle Gold Mine	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
All relevant figures in USD and 000's unless specified.	Note: Modeled production extends out to 2036 but years after 2031 are not shown.								
Tonnes processed	8,800	12,000	13,700	14,000	14,000	14,200	12,700	12,600	12,700
Mill head grade (gpt)	0.85	0.70	0.70	0.70	0.58	0.55	0.50	0.56	0.50
Gold recovery	75%	75%	77%	77%	77%	77%	77%	77%	77%
Annual gold production	172.9	202.5	237.4	242.6	201.0	193.3	157.2	174.7	157.2
Gold Price (USD)	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750	\$ 1,750
Total revenue	\$ 302,558	\$ 354,454	\$ 415,459	\$ 424,557	\$ 351,776	\$ 338,346	\$ 275,095	\$ 305,681	\$ 275,095
Cash costs per ounce of gold	\$ 1,104	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Total operating costs	\$ 190,827	\$ 151,909	\$ 178,054	\$ 181,953	\$ 150,761	\$ 145,005	\$ 117,898	\$ 131,006	\$ 117,898
Gross profit	\$ 111,730	\$ 202,545	\$ 237,405	\$ 242,604	\$ 201,015	\$ 193,340	\$ 157,197	\$ 174,675	\$ 157,197
Sustaining capital and CapEx	\$ (80,000)	\$ (33,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)
(Tax) / Tax Benefit (\$000s)	\$ (6,001)	\$ (17,260)	\$ (20,940)	\$ (46,191)	\$ (37,483)	\$ (35,876)	\$ (28,308)	\$ (31,968)	\$ (28,308)
Operating cash flow	\$ 25,729	\$ 152,285	\$ 194,465	\$ 174,413	\$ 141,532	\$ 135,465	\$ 106,889	\$ 120,707	\$ 106,889
Discount rate 9.0%									
PV of operating cash flow	\$ 25,729	\$ 139,711	\$ 163,677	\$ 134,679	\$ 100,265	\$ 88,043	\$ 63,735	\$ 66,031	\$ 53,644
Total current cash flow (CAD)	\$ 1,342,147	\$ 19.67	per share						
Exploration assets (CAD)	\$ 50,000	\$ 0.73	per share						
Cash and cash equivalents + Marketable Securities (CAD)	\$ 36,091	\$ 0.53	per share		As of 3/31/23				
Inventory (CAD)	\$ 223,570	\$ 3.28	per share		As of 3/31/23		CAD/USD	0.7478 As of 6/7/23	
Debt (CAD)	\$ (265,809)	\$ (3.90)	per share		As of 3/31/23				
Total Company NAV (CAD)	\$ 1,385,999								
Fully diluted shares	68,234 As of 5/10/23								
Victoria Gold share price (VGCX.TO) (CAD)	\$ 8.26 As of 6/7/23 Discount to PT 59%								
Project NAV per share (CAD)	\$ 20.31								
Rounded Price Target (CAD)	\$ 20.00								

Source: H.C. Wainwright & Co. estimates; company reports.



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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	562	88.09%	135	24.02%
Neutral	62	9.72%	15	24.19%
Sell	1	0.16%	0	0.00%
Under Review	13	2.04%	2	15.38%

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