

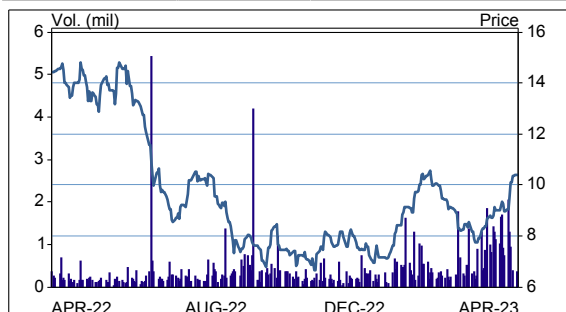
Victoria Gold Corp. (VGCX.TO)
Rating: Buy

Heiko F. Ihle, CFA
212-356-0510
hihle@hwcwresearch.com

Marcus Giannini
212-916-3978
mgiannini@hwcwresearch.com

1Q23 Gold Production Shows Strong YoY Improvement; Significant Quarterly Increase in Stacking Rates YoY; Reiterate Buy

Stock Data		04/10/2023	
Price		C\$10.40	
Exchange		TSX	
Price Target		C\$21.00	
52-Week High		C\$15.46	
52-Week Low		C\$6.56	
Enterprise Value (M)		C\$897	
Market Cap (M)		C\$671	
Shares Outstanding (M)		64.5	
3 Month Avg Volume		687,078	
Short Interest (M)		1.48	
Balance Sheet Metrics			
Cash (M)		C\$20.57	
Total Debt (M)		C\$246.99	
Total Cash/Share		C\$0.32	
EPS (C\$) Diluted			
Full Year - Dec	2021A	2022A	2023E
FY	1.68	0.54	1.43
Revenue (C\$M)			
Full Year - Dec	2021A	2022A	2023E
FY	C\$356.5	C\$321.8	C\$357.0



1Q23 production results. On April 5, Victoria Gold announced reasonably strong 1Q23 production results that included 37,619 ounces (oz) of gold (+54% YoY). Notably, even in a period where operations improved significantly YoY, production remained seasonally low, though this is already generally expected during the initial months of each year. Driving this phenomenon were lower than planned stacking rates in 4Q22 that were further exacerbated by a lack of active side slope leaching activities. In contrast, grades at site improved to 0.86 grams per tonne gold (+19% YoY). In addition to the stronger YoY grades, we stress that the Eagle project's recoveries continued to reconcile well with the project's reserve model, as operations at site show continuous improvements.

Stacking rates see meaningful YoY increase. Victoria remained focused on achieving a ramp-up to full stacking of ore on the leach pad during 1Q23. We believe that this is especially notable as the firm only achieved limited stacking during the first quarter of previous years based on seasonally cold temperatures. In contrast, however, Victoria has now successfully demonstrated its ability to perform year-round stacking with 2.1M tonnes (t) stacked in 1Q23 (0.9Mt in 1Q22). In turn, we anticipate improved gold production QoQ, as the company also looks to benefit from its optimized stacking schedule going forward.

We are reiterating our Buy Rating on Victoria Gold and our PT of C\$21. Our valuation 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\$1.38B, or C\$20.35 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\$33.4M in cash and marketable securities, coupled with about C\$211.7M 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\$21.00 per share.

Near-term catalysts. Looking ahead, we still believe that Victoria is well underway in reaching its life-of-mine average gold production rate of 202,000oz per year following the aforementioned stacking improvements. In turn, and with a ramp-up in stacking anticipated throughout 2023 and 2024, the firm expects to reach a steady-state rate of 11.5Mt of ore stacked per year by 2025. Finally, we anticipate Victoria to publish an updated estimate in the near-term that further builds off the recent Maiden Resource publication for the Raven prospect, thereby encapsulating the ongoing exploration success at site.

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	8,400	12,000	13,700	14,000	14,000	14,200	12,700	12,600	12,700
Mill head grade (gpt)	0.82	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	159.1	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	\$ 278,506	\$ 354,454	\$ 415,459	\$ 424,557	\$ 351,776	\$ 338,346	\$ 275,095	\$ 305,681	\$ 275,095
Cash costs per ounce of gold	\$ 890	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Total operating costs	\$ 141,640	\$ 151,909	\$ 178,054	\$ 181,953	\$ 150,761	\$ 145,005	\$ 117,898	\$ 131,006	\$ 117,898
Gross profit	\$ 136,866	\$ 202,545	\$ 237,405	\$ 242,604	\$ 201,015	\$ 193,340	\$ 157,197	\$ 174,675	\$ 157,197
Sustaining capital and CapEx	\$ (90,000)	\$ (33,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)
(Tax) / Tax Benefit (\$000s)	\$ (7,393)	\$ (17,078)	\$ (20,719)	\$ (45,703)	\$ (37,087)	\$ (35,497)	\$ (28,009)	\$ (31,630)	\$ (28,009)
Operating cash flow	\$ 39,472	\$ 152,467	\$ 194,686	\$ 174,901	\$ 141,928	\$ 135,844	\$ 107,188	\$ 121,045	\$ 107,188
Discount rate 9.0%									
PV of operating cash flow	\$ 39,472	\$ 139,878	\$ 163,863	\$ 135,056	\$ 100,545	\$ 88,289	\$ 63,913	\$ 66,216	\$ 53,794
Total current cash flow (CAD)	\$ 1,378,079	\$ 20.35	per share						
Exploration assets (CAD)	\$ 50,000	\$ 0.74	per share						
Cash and cash equivalents + Marketable Securities (CAD)	\$ 33,377	\$ 0.49	per share As of 12/31/22						
Inventory (CAD)	\$ 211,713	\$ 3.13	per share As of 12/31/22		CAD/USD 0.7399		As of 4/10/23		
Debt (CAD)	\$ (246,989)	\$ (3.65)	per share As of 12/31/22						
Total Company NAV (CAD)	\$ 1,426,180								
Fully diluted shares	67,709	As of 2/23/23							
Victoria Gold share price (VGXX.TO) (CAD)	\$ 10.40	As of 4/10/23		Discount to PT 50%					
Project NAV per share (CAD)	\$ 21.06								
Rounded Price Target (CAD)	\$ 21.00								

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

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			Count	Percent
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