

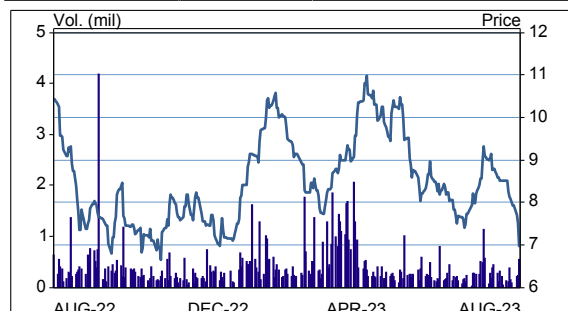
Victoria Gold Corp. (VGCX.TO)
Rating: Buy

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2Q23 Financial Results; Operational Highlights From the Quarter; Commodity Price Deck Revisions; Reit. Buy; PT Higher

Stock Data		08/10/2023	
Price		C\$6.98	
Exchange		TSX	
Price Target		C\$24.00	
52-Week High		C\$11.16	
52-Week Low		C\$6.56	
Enterprise Value (M)		C\$697	
Market Cap (M)		C\$476	
Shares Outstanding (M)		68.2	
3 Month Avg Volume		282,275	
Short Interest (M)		0.42	
Balance Sheet Metrics			
Cash (M)		C\$39.36	
Total Debt (M)		C\$260.45	
Total Cash/Share		C\$0.58	
Cash (M): Includes marketable securities.			
EPS (C\$) Diluted			
Full Year - Dec	2021A	2022A	2023E
FY	1.68	0.54	0.75
Revenue (C\$M)			
Full Year - Dec	2021A	2022A	2023E
FY	C\$356.5	C\$321.8	C\$421.4



On August 9, Victoria Gold announced its quarterly financial results. During 2Q23, the firm recorded C\$118.8M in revenue that ultimately yielded net income of C\$16.0M, or C\$0.24 per share. The revenue figure compares quite favorably overall when compared with 2Q22 revenue of C\$69.4M and net income of C\$17.1M, or C\$0.25 per diluted share. In short, the significant YoY jump in sales resulted from gold ounces sold increasing to 44,710 ounces (oz) (+56% YoY) during 2Q23. In contrast, Victoria's decreased net income for the quarter stemmed from an increase in finance costs, a drop in unrealized and realized gains on derivative instruments, and higher current and deferred income tax expenses. Importantly, however, these impacts were somewhat mitigated by higher operating earnings, as well as a foreign exchange gain.

Operational highlights for the quarter. During 2Q23, ore mined totaled 2.4M tonnes (t), representing a 9% YoY increase. In turn, the firm saw a jump in ore stacked on the leach pad to 2.5Mt, which increased 9% YoY at an average grade of 0.75 grams per tonne gold (-13% YoY). We also highlight that Victoria continued to benefit from its transition to year-round stacking amid improvements related to its heap leach operations throughout the winter period. As a result, overall production grew to 45,568oz of gold (+42% YoY). Importantly, management emphasized on its 2Q23 conference call that seasonality is expected to always play a role in its leaching operations, although stacking has now been more streamlined.

Precious metal price deck revision. We believe it is prudent to update our forward-looking precious metal price deck given continued strength in commodity pricing. We base this decision on various ongoing macroeconomic developments, which have spurred increases in gold and silver prices of about 7% and 11% over the past 12 months, respectively. Importantly, our revised estimates consider the ongoing inflationary environment, continued investment in safe-haven assets, and recessionary concerns. In addition, we also recognize that precious metals may benefit from a potential leveling off from current interest rates.

We are revising our gold and silver prices upward. We now utilize an updated price deck of \$1,900/oz of gold and \$25/oz of silver. We plan to apply these figures across our coverage universe to all metals and mining research reports as of June 15, 2023, based on the recent momentum seen in precious metal prices. Notably, these figures compare quite favorably to our previous price deck that implied long-term pricing of \$1,750/oz of gold and \$19/oz of silver, respectively. Our new estimates therefore represent price increases of 9% for gold and 32% for silver.

We are reiterating our Buy recommendation on Victoria Gold while increasing our PT to C\$24 from C\$20. Our higher PT is the direct result of adjusting our model for the aforementioned gold price deck. 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\$1.58B, or C\$23.21 per share. We then add a further C\$50.0M for exploration upside that mostly accounts for Raven. Finally, we account for the company's cash and marketable securities of C\$39.4M, coupled with about C\$228.4M in inventories, while subtracting the firm's debt. We then round this figure to the nearest C\$1.00 for our final price target of C\$24.00 per share.

Near-term catalysts. At present, the company's cost guidance remains unchanged at \$1,350 – 1,550/oz of gold sold. Importantly, however, the recent wildfires at site are expected to push costs toward the top end of this range. We stress that the company expects operations to return to normalized levels in the near-term following two separate evacuations of employees at site. Looking ahead, and barring any further setbacks from the aforementioned fires, we expect Victoria to continue building on its record 2Q23 gold production as VGCX's operational efficiencies continue to yield a variety of improvements.

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	9,254	12,000	13,700	14,000	14,000	14,200	12,700	12,600	12,700
Mill head grade (gpt)	0.78	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	168.2	202.5	237.4	242.6	201.0	193.3	157.2	174.7	157.2
Gold Price (USD)	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900	\$ 1,900
Total revenue	\$ 319,650	\$ 384,836	\$ 451,070	\$ 460,947	\$ 381,928	\$ 367,347	\$ 298,675	\$ 331,882	\$ 298,675
Cash costs per ounce of gold	\$ 1,192	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Total operating costs	\$ 200,538	\$ 151,909	\$ 178,054	\$ 181,953	\$ 150,761	\$ 145,005	\$ 117,898	\$ 131,006	\$ 117,898
Gross profit	\$ 119,112	\$ 232,927	\$ 273,016	\$ 278,994	\$ 231,167	\$ 222,342	\$ 180,777	\$ 200,876	\$ 180,777
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)	\$ (6,694)	\$ (20,140)	\$ (24,314)	\$ (53,616)	\$ (43,638)	\$ (41,797)	\$ (33,125)	\$ (37,319)	\$ (33,125)
Operating cash flow	\$ 32,417	\$ 179,786	\$ 226,702	\$ 203,378	\$ 165,529	\$ 158,545	\$ 125,652	\$ 141,557	\$ 125,652
Discount rate 9.0%									
PV of operating cash flow	\$ 32,417	\$ 164,942	\$ 190,810	\$ 157,045	\$ 117,265	\$ 103,043	\$ 74,922	\$ 77,437	\$ 63,060
Total current cash flow (CAD)	\$ 1,583,130	\$ 23.21	per share						
Exploration assets (CAD)	\$ 50,000	\$ 0.73	per share						
Cash and cash equivalents + Marketable Securities (CAD)	\$ 39,358	\$ 0.58	per share As of 6/30/23						
Inventory (CAD)	\$ 228,360	\$ 3.35	per share As of 6/30/23		CAD/USD 0.7451		As of 8/10/23		
Debt (CAD)	\$ (260,446)	\$ (3.82)	per share As of 6/30/23						
Total Company NAV (CAD)	\$ 1,640,402								
Fully diluted shares	68,207	As of 8/9/23							
Victoria Gold share price (VGCX.TO) (CAD)	\$ 6.98	As of 8/10/23		Discount to PT 71%					
Project NAV per share (CAD)	\$ 24.05								
Rounded Price Target (CAD)	\$ 24.00								

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

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			Count	Percent
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Sell	0	0.00%	0	0.00%
Under Review	8	1.27%	2	25.00%

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