

EQUITY RESEARCH

February 23, 2023

Earnings Update

VICTORIA GOLD CORP.

Q4/22 In Line, 2023 Guidance Weaker On Capex And Costs, Price Target Lowered To C\$14.00

Our Conclusion

We are lowering our price target from C\$15.00 to C\$14.00 and reiterating our Neutral rating after updating our model with the largely in-line Q4/22 financial results, slightly weaker-than-expected 2023 guidance on higher costs and capex and moving our CFPS valuation metric from the annualized average of Q4/22E-2023E CFPS to 2023E CFPS. Overall, the 2023 production guidance of 160koz-180koz came in largely in line with our estimate of 175koz but at a much higher AISC guidance of US\$1,350-US\$1,550/oz vs. our prior estimate of US\$1,289/oz driven by the higher capex guidance of \$105M vs. our prior estimate of \$82M. We are now forecasting 3% lower production of 171koz at 14% higher AISC of US\$1,467/oz and 24% higher capex of \$101M.

As a result of our changes, our NAV5% decreases from \$16.82 to \$16.73 and our 2023E CFPS decreases from \$2.06 to \$1.92. We expect investors' focus to remain on the ability of the company to deliver on the operating front as well as the upcoming resource update from Raven, for which we include value in our NAV.

Key Points

Q4/22 EPS In Line With Better Cash Costs, Offset By Lower Sales: With production results pre-reported, VGCX reported EPS of \$0.16 largely in line with our estimate of \$0.17 and Street estimates of \$0.16. While cash costs of US\$920/oz came in better than our estimate of US\$1,014/oz, gold sales of 40.6koz and the gold price realized of US\$1,678/oz came in below our estimates of 41.6koz and US\$1,729/oz, respectively. AISC of US\$1,376/oz also came in below our estimate of US\$1,516/oz.

2023 Production Guidance Largely In Line... Overall, VGCX expects the production guidance of 160koz-180koz to be less impacted by seasonality than 2021 and 2022 given the higher level of gold inventory on the heap leach pad and a better timeline for maintenance at site. We have fine-tuned our model to reflect the 2023 outlook as well as the smoother production profile and now forecast production of 171koz (prior 175koz).

...But AISC Higher Than Expected On Higher Capex And Costs: The higher-than-expected AISC guidance of US\$1,350-US\$1,550/oz was mainly driven by a higher sustaining capex guidance of \$80M vs. our prior estimate of \$56M as 2023 is expected to be an elevated waste stripping year. VGCX noted that with the lifts of the Eagle Pup waste rock storage area now largely complete and the waste haul distances shorter in 2023 vs. 2022, waste mined is expected to be much higher in 2023 than the LOM average annual waste stripping (LOM strip ratio of 0.97:1 per the tech report). Our model now reflects this outlook as our strip ratio for 2023 increases from 1.2:1 to 2.25:1.

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Neutral

VGCX-TSX, Sector: Materials

Current Price (2/22/23): C\$8.88

Price Target (12-18 mos.): **↓C\$14.00**

Previous: C\$15.00

CIBC Estimates and Valuation

(Dec. 31)	2022	2023	2024	2025
Adj. EPS	0.54A	0.40E	0.49E	1.05E
Prior	0.53E	0.52E	0.50E	
CFPS	1.30A	1.92E	2.26E	2.89E
Prior	1.32E	2.06E	2.27E	

	Q1	Q2	Q3	Q4
Adj. EPS	0.06E	0.01E	0.27E	0.06E
Prior		0.02E	0.30E	0.13E
2022	0.24A	0.25A	(0.13)A	0.16A
Prior				0.17E

	Q1	Q2	Q3	Q4
CFPS	0.34E	0.48E	0.69E	0.42E
Prior	0.31E	0.49E	0.75E	0.52E
2022	(0.10)A	0.29A	0.65A	0.43A
Prior				0.49E

Valuation	2022	2023	2024	2025
P/E	16.3x	22.4x	18.2x	8.5x
P/CFPS	6.8x	4.6x	3.9x	3.1x

Stock Performance and Key Indicators

Avg. Dly. Vol.:	345K	Shares O/S:	64.5M
Market Cap.:	C\$573M	Float:	30.2M
52-wk Range:	C\$6.64 - C\$18.81	Div. / Yield:	C\$0.00/0.00%

TSX Composite Index vs. VGCX-TSX



(Source: FactSet)

All figures in Canadian dollars unless otherwise stated.

Please see "Price Target Calculation and Key Risks to Price Target" information on page 5. For required regulatory disclosures please refer to "Important Disclosures" beginning on page 6.

Victoria Gold Corp. (VGCX-TSX) — Neutral

Price (2/22/23) C\$8.88 12-18 mo. Price Target C\$14.00

Sector: Materials

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Key Financial Metrics	2022	2023E	2024E	2025E
Net Debt	226	215	128	(51)
FCF Yield	-6.0%	4.5%	15.6%	30.5%
Per Share Data	2022	2023E	2024E	2025E
CFPS	1.30	1.92	2.26	2.89
Adj. EPS Dil.	0.54	0.40	0.49	1.05
Income Statement	2022	2023E	2024E	2025E
Sales	322	399	420	459
Cost of Goods Sold	163	229	230	216
Gross Profit	159	170	190	243
SG&A	8	10	10	10
EBITDA	140	145	173	226
D&A	68	75	105	122
Tax Expense	22	26	23	33
Minorities	0	0	0	0
Net Income	35	27	33	71
Adjusted Net Income	35	27	33	71
Cash Flow Statement	2022	2023E	2024E	2025E
Operating Activities				
CFO before WC	143	130	153	196
Change in WC	(60)	0	0	0
CFO	84	130	153	196
Investing Activities				
Capex	(108)	(101)	(52)	(16)
Net CFI	(126)	(101)	(52)	(16)
Financing Activities				
Dividends Paid	0	0	0	0
Change in Debt	21	(13)	(234)	0
Net CFF	31	(31)	(247)	(1)
Free Cash Flow	(39)	29	100	180
Cash at Begin of Yr	31	21	18	(128)
Cash at End of Yr	21	18	(128)	51

Source: FactSet, company reports and CIBC World Markets Inc.

NPV (\$M)	NPV5%	\$/sh	NPV10%	\$/sh
Eagle Gold Mine (Yukon)	1,248	18.76	999	15.01
Upside (Dublin Gulch Property)	148	2.23	148	2.23
Total Mining Assets	1,397	20.99	1,147	17.24
Net Cash	(226)	(3.40)	(226)	(3.40)
Corporate G&A	(83)	(1.25)	(70)	(1.06)
Other Corporate Adjustments	26	0.39	26	0.40
Total NPV	1,113	16.73	877	13.18

Price Assumptions	2022	2023E	2024E	2024E
CAD:USD	0.77	0.73	0.77	0.78
Gold (US\$/oz)	1,784	1,800	1,700	1,650

Operating Summary	2022	2023E	2024E	2024E
Total Gold Production (koz)	150	171	201	228
Total Cash Costs (US\$/oz)	916	1,033	928	775
All-In-Sustaining Costs (US\$/oz)	1,441	1,467	1,099	868
Sustaining Capex (\$M)	89	86	32	16
Development Capex (\$M)	27	15	20	0

Company Profile

Victoria Gold is a single asset gold producer which owns and operates the heap leach Eagle Gold Mine, located in central Yukon. The Eagle Gold Mine is located within the 35,000 hectares land package known as Dublin Gulch property. Victoria's Eagle Gold mine achieved first gold in Q4/19, and followed with commercial production in H2/20.

Investment Thesis

Victoria Gold provides the investors an exposure to a technically simple gold operation with both near mine and regional upside potential in a Tier 1 mining jurisdiction (Yukon). Victoria is also moving forward with its optimization plan to take Eagle Gold production to over 200kozpa in the medium term. We view Victoria as an attractive M&A target as a potential +200koz/a producer, however with recent costs pressures faced by the company we continue to look out for sustained lower operating costs as a potential catalyst for a rerate. Upcoming near-term catalysts include ramping up to +200koz/a production, sustained lower costs and a resource update from Raven.

Price Target (Base Case): C\$14.00

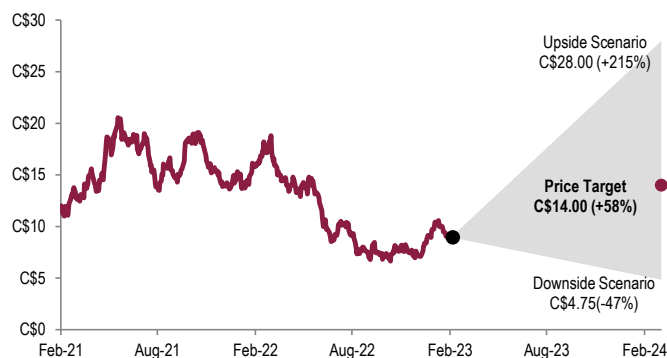
Our price target is based on a blended average of 6.0x the average annualized 2023E CFPS and 1.0x NAVPS, both at CIBC prices.

Upside Scenario: C\$28.00

Our upside scenario is based on a \$2,500/oz gold price.

Downside Scenario: C\$4.75

Our downside scenario is based on a \$1,200/oz gold price.



Recent Positive Drill Results At Raven: In January 2023, VGCX highlighted drill results from its proximal program showcasing the continuity within the Raven deposit though at grades slightly below the previously released inferred mineral resource estimate of 1.07Moz at 1.67g/t. However, the distal drilling program results released highlighted higher gold grades outside the current deposit. An updated Raven resource estimate is expected to be released in Q1/23.

Amendment Of The Secured Loan Facility: Victoria Gold also announced that it has amended its secured loan facility with the term facility increasing by US\$25M to US\$125M and the maturity date extending to September 2024 from December 2023. The revolving credit facility of US\$125M, which had \$10.1M available as at Q4/22 remains unchanged. The company previously noted that it expects its cash balance to remain fairly consistent as debt fluctuates to match its liquidity needs.

Exhibit 1: Victoria Gold – Financial And Operating Summary, 2022-2024E

	Prior 2022E	Revised 2022A	Revised vs Prior	Prior 2023E	Revised 2023E	Revised vs Prior	Prior 2024E	Revised 2024E	Revised vs Prior
Sales Revenue	327.2	321.8	-2%	410.4	399.4	-3%	424.1	419.9	-1%
Operating Costs	(174.2)	(166.4)	-4%	(231.0)	(233.5)	1%	(235.3)	(233.9)	-1%
Depreciation	(64.2)	(67.7)	5%	(77.3)	(75.3)	-3%	(104.1)	(104.6)	0%
Interest	(13.9)	(14.8)	7%	(16.3)	(17.2)	6%	(12.7)	(12.2)	-4%
Corporate	(13.6)	(8.6)	-36%	(14.0)	(13.0)	-7%	(14.0)	(13.0)	-7%
Other Costs	1.8	(7.2)	-506%	(7.9)	(7.9)	0%	(0.0)	(0.0)	-11%
Operating Profit Before Tax	63.1	57.0	-10%	63.8	52.5	-18%	58.0	56.1	-3%
Income Tax	(27.0)	(22.0)	-18%	(28.7)	(25.6)	-11%	(24.1)	(23.2)	-4%
Operating Profit After Tax	36.2	35.0	-3%	35.1	26.9	-23%	33.9	33.0	-3%
Minorities	0.2	0.0		0.0	0.0		0.0	0.0	
Net Profit After Tax	36.2	35.0	-3%	35.1	26.9	-23%	33.9	33.0	-3%
Abnormals	0.0	0.0		0.0	0.0		0.0	0.0	
Tax on Abnormals	0.0	0.0		0.0	0.0		0.0	0.0	
Reported Profit	36.4	35.0	-4%	35.1	26.9	-23%	33.9	33.0	-3%
Reported Basic EPS	0.57	0.55	-4%	0.54	0.42	-23%	0.53	0.51	-3%
Adjusted Basic EPS	0.53	0.54	2%	0.52	0.40	-23%	0.50	0.49	-3%
Operating Cash Flow per Share	1.32	1.30	-2%	2.06	1.92	-7%	2.27	2.26	-1%
Free Cash Flow	(38.2)	(38.6)	nm	58.1	29.0	-50%	99.9	100.3	0%
Sustaining Capital Expenditures	92.3	89.0	-4%	56.5	86.3	53%	33.8	32.5	-4%
Project Capital Expenditures	28.8	27.4	-5%	25.0	15.0	-40%	20.0	20.0	0%
Total Capital Expenditures	121.1	116.4	-4%	81.5	101.3	24%	53.8	52.5	-2%
Gold Produced (koz)	150.2	150.2	0%	175.3	170.5	-3%	202.5	200.5	-1%
Gold Sales (koz)	140.6	139.6	-1%	166.6	162.0	-3%	192.4	190.5	-1%
By-Product Gold Total Cash Costs (US\$/oz)	945	916	-3%	994	1,033	4%	924	928	0%
Gold AISC (US\$/oz)	1,487	1,441	-3%	1,289	1,467	14%	1,103	1,099	0%

Source: Company reports and CIBC World Markets Inc.

Environmental, Social and Governance (ESG) Metrics for BTG-NYSE

CIBC ESG Metrics

Governance Metrics	2017	2018	2019	2020	2021
Insider Ownership	2.5%	2.3%	1.7%	1.4%	1.4%
Board Gender Diversity	13%	13%	13%	22%	22%
Separation of Chair & CEO	YES	YES	YES	YES	YES
Dual-class Ownership?	NO	NO	NO	NO	NO
Disclose ESG Data?	YES	YES	YES	YES	YES
Social Metrics	2017	2018	2019	2020	2021
CEO Comp./Mkt Cap*	\$1.4	\$2.0	\$1.4	\$1.4	\$1.74
Diversity Targets	NO	NO	NO	NO	NO
Women Managers	22%	22%	17%	23%	23%
Environmental Metrics	2017	2018	2019	2020	2021
Emissions Intensity**	NA	NA	366	267	306
Net-zero Targets?	NO	NO	NO	YES	YES

*CEO Compensation is shown as per thousand dollars of market capitalization
 **Emissions Intensity calculated as total emitted CO2e divided by million \$ of CAD revenue

Sustainalytics ESG Risk Rating

29.8 **+0.0** **Medium Risk**

Updated on
Jan 4, 2023

Momentum



Sustainalytics ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	9654/15536	63rd
Precious Metals INDUSTRY	33/120	28th
Gold SUBINDUSTRY	23/89	26th

CIBC Quantitative Scorecard

Within Sector			Within S&P/TSX Comp.		
Style	Rank	Delta	Style	Rank	Delta
Value	6	+5	Value	59	+25
Momentum	26	-5	Momentum	143	-34
Quality	22	0	Quality	142	+3
Market	16	-1	Market	110	-11
Low Volatility	16	+1	Low Volatility	158	+2
Growth	39	+1	Growth	211	+4

Note: Ranking out of 50 stocks

Note: Ranking out of 235 stocks

General Notes Behind the Quantitative Scorecard

Delta refers to the change in the ranking over the past month. Number of stocks "Within Sector" is defined by the number within the GICS. In the "Within S&P/TSX" category, we use all stocks in the S&P/TSX Composite. For detail on the Quant Factors included in each style above, please contact the CIBC Portfolio Strategy Team.

The table above is based upon quantitative, statistical, and mathematical analysis and is not intended to serve as a fundamental recommendation.

CIBC Technical Scorecard

Factor	TSM Score	Factor	TSM Score
TSM	0	Momentum	B
Beta	0.87	MACD	D
Volatility	↓	Alpha (Sector)	C
Trend	↔	Alpha (Index)	B
RSI	Neutral		

General Notes Behind the Technical Scorecard

TSM: The Trendspotting Matrix uses technical factors to score uptrend durability.
Momentum and alpha metrics compare performance over one-month, one-quarter and one-year timeframes, outputting a rating from A to D.
Trend/Volatility metrics measure price deviations relative to underlying moving averages.
RSI is an oscillator that provides mean-reversion estimations.
MACD is a momentum indicator rated from A to D based off the strength of its signal.

The table above is based upon a technical methodology that examines the past trading patterns and trades and is not intended to serve as a fundamental recommendation.

Source: Sustainalytics, Compustat, FactSet, Bloomberg and CIBC World Markets Inc.



Price Target Calculation

We derive our C\$14.00 price target (C\$15.00 prior) by applying a 1.0x NAVPS multiple and 6.0x the annualized average of 2023E CFPS, based on our price deck. We ascribe 1.0x NAV for Eagle Gold Mine, reflecting its producer status with near-term upside potential, though offset by current operational challenges, and 0.9x NAV for other targets at Dublin Gulch property, reflecting the earlier stage for these exploration projects.

Key Risks To Price Target

Our price target is based on mine operations continuing without interruptions. Mining is an inherently risky business, where technical, political and human issues can influence operations. We consider the following as risks to our derived price target:

Commodity Prices: All mining companies are impacted to varying degrees by changes in commodity prices. Rising or falling commodity prices have a direct impact on earnings, cash flow, and NAV. Commodity prices also impact operating, capital spending and exploration decisions, which may have longer-term impacts.

Single-asset Risk: Victoria Gold is predominantly focused on Eagle Gold Mine/Dublin Gulch, increasing its potential risk exposure compared to more diversified, multi-asset operators under our coverage.

Operational Risk: Operating issues are inherent to all mining activities and can lead to production shortfalls, cost increases, and/or resource reductions (temporary or permanent). The impact on the estimates would depend on the nature, as well as the severity, of the operating issue.

Permitting Risk: Permits are essential for all development projects and mining operations. Delays in obtaining or refusal of critical permits can have significant ramifications on the valuation of a project or operation. The Eagle Gold Mine, assessed under the Yukon

Environmental and Socio-economic Assessment Act (YESAA), currently holds a Quartz Mining License (QML) and a Water Use License (WUL). However, the Olive pit, the expansion of one of the Waste Rock Storage Areas (WRSAs) into an adjacent watershed, and the secondary Heap Leach Pad are not currently included in the QML or WUL. These additional projects are not considered in the mine plan until 2023.

ESG Risk: Mining companies face added scrutiny surrounding their ESG considerations, particularly potential environmental impacts at the asset level. Despite more than 10 years at Eagle Gold in Yukon, Victoria Gold still has a limited track record of operating a full-fledged mining operation as Eagle Gold was a development asset until its first gold pour in late 2019. We believe the company has done well to address potential environmental and social issues, but that it would benefit from more standardized ESG disclosures going forward.

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Underperformer	UN	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
Tender	TR	Shareholders are advised to tender shares to a specific offer as we do not believe a superior offer will materialize.
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Overweight	O	Sector is expected to outperform the broader market averages.
Marketweight	M	Sector is expected to equal the performance of the broader market averages.
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None	NA	Sector rating is not applicable.

Note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.

CIBC World Markets Inc. Price Chart

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Restricted	12	4%	Restricted	12	100%

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