



FIRST LOOK February 23, 2023

VICTORIA GOLD CORP
(TSX-VGXC) C\$8.88

RATING: BUY
(unchanged)

TARGET: C\$17.50
(unchanged)

Q4/22 Financials & 2023 Guidance Mixed | Taming Increasing Costs A Challenge

EVENT: Victoria Gold Corp. (TSX-VGXC) released Q4/22 financial results and 2023 guidance mixed relative to our estimates.

IMPACT: Negative. The miss was primarily driven by higher costs, both on a cash cost and AISC basis. While we are encouraged by higher production guidance for 2023 than we model, costs are expected to remain elevated throughout the year, squeezing margins. We note that the leach pad is performing well, registering the second quarterly net draw in ounces from the pad, indicating steady-state operations which will help smooth out the seasonality of production. A new life of mine plan for Eagle and resource update for the Company's Raven exploration project are expected to boost the overall potential of the Dublin Gulch property, but we still approach our longer term expectations with caution as the Company works through the remaining near-term challenges at Eagle.

HIGHLIGHTS:

- ▶ **Q4/22 Financials Mixed:** VGXC delivered CFPS (ex. WC) of C\$0.68, in line with our estimate of C\$0.68 beating consensus of C\$0.52. Adjusted EPS of C\$0.29 was below our estimate of C\$0.37 and beating consensus of C\$0.14 (see [Exhibit 1](#)).
- ▶ **2023 Guidance Mixed:** The Company expects 2023 production to be between 160K to 180K oz Au, which is ahead of our estimate of 152K oz. However, costs are expected to be significantly higher than we model, with guided AISC of between US\$1,350 and US\$1,550/oz Au, compared with our estimate of US\$1,156/oz.
- ▶ **Taming Capex Next Year:** 2022 was a high-spend year, with C\$113M in total capex. This is expected to be reduced substantially next year with the completion of several one-time items. Outside of Capitalized Stripping of C\$50M, growth and sustaining capex are expected to total C\$45M.
- ▶ **Updated Eagle LOM Plan Coming Soon:** Along with a resource update for Raven, this is expected to show long-term potential for the Dublin Gulch camp beyond the 2016 FS for Eagle.

Chris Thompson, M.Sc (Eng), P.Geo
cthompson@pifinancial.com 604.718.7549

Connor Mackay, P.Eng
cmackay@pifinancial.com 604.718.7547

Matt Taylor, M.Sc
mtaylor@pifinancial.com 604.718.7548

Company Statistics

Risk:	SPECULATIVE
52-week High/Low:	C\$18.90 / C\$6.56
Shares Out. (basic):	64.5M
Shares Out. (fd):	67.7M
Market Cap:	C\$576M
Return:	97.1%
Working Capital:	C\$103M
Enterprise Value:	C\$743M

Valuation Summary

Our C\$17.50 target is derived by applying a 75/25 weighting on 1.0x NAV and a 9x NTM CFPS estimate. Our target price implies a 1.0x Adj. P/NAV multiple (assuming \$1,800/oz Au long term).



Exhibit 1 - Q4/22 Financial Results vs. PI Estimates

	Quarterly Summary			Q/Q		Y/Y	
	4Q22E	4Q22A	Delta	3Q22A	% Δ	4Q21A	% Δ
Financials Metrics (C\$ 000s)							
Revenue	97,676	92,310	-5,365	100,698	-8%	110,647	-17%
Cost of Sales	35,029	50,590	15,561	65,476	-23%	44,548	14%
Operating Profit	40,771	22,873	-17,899	15,698	46%	49,787	-54%
Depreciation	21,875	18,847	-3,028	19,525	-3%	16,312	16%
G&A	3,888	-352	-4,239	3,888	-109%	2,348	-115%
Adj. Earnings	24,807	19,037	-5,770	-13,790	-238%	44,731	
Adj. EPS	0.37	0.29	-0.07	-0.21	-238%	0.66	
Operating Cash Flow (excl. WC)	45,745	44,238	-1,507	34,321	29%	58,310	
CFPS (excl. WC)	0.68	0.68	0.01	0.53	28%	0.86	
Working Capital	113,519	94,687	-18,832	102,662	-8%	62,808	
Eagle							
Heap Throughput (tpd)*	15,217	15,217	0	22,826	-33%	27,174	-44%
Tonnes Stacked (k tonnes)*	1,400	1,400	0.0	2,100.0	-33%	2,500.0	-44%
Stacked Gold Grade (g/t)*	0.90	0.90	0.00	0.88	2%	0.83	8%
Gold Production (koz)*	44	44	0	50	-13%	49	-12%
Gold Sales (koz)	43.7	40.6	(3.2)	44.9	-10%	49.2	-18%
Cash Operating Costs (US\$/oz Au)	\$590	\$920	\$330	\$1,116	-18%	\$718	28%
AISC (US\$/oz Au)	\$999	\$1,376	\$377	\$1,489	-8%	\$1,052	31%

* Denotes previously reported values

Source: Company reports, PI Financial

Disclosure Fact Sheet

Ratings

BUY : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

NEUTRAL : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

SELL : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.

U/R : Under Review

N/R : No Rating

TENDER: Investors are guided to tender to the terms of the takeover offer. Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

Price Volatility/Risk

SPECULATIVE : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

ABOVE AVERAGE : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

AVERAGE : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

Analyst Certification

I, Chris Thompson, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report. I am the research analyst primarily responsible for preparing this report.

Research Disclosures

Company	Disclosure
Victoria Gold Corp	4, 9

Applicability

- PI Financial Corp. and its affiliates' holdings in the subject company's securities, in aggregate exceeds 1% of each company's issued and outstanding securities.
- The analyst(s) responsible for the report or recommendation on the subject company, a member of the research analyst's household, and associate of the research analyst, or any individual directly involved in the preparation of this report, have a financial interest in, or exercises investment discretion or control over, securities issued by the following companies.
- PI Financial Corp. and/or its affiliates have received compensation for investment banking services for the subject company over the preceding 12-month period.
- PI Financial Corp. and/or its affiliates expect to receive or intend to seek compensation for investment banking services from the subject company.
- PI Financial Corp. and/or its affiliates have managed or co-managed a public offering of securities for the subject company in the past 12 months.
- The following director(s), officer(s) or employee(s) of PI Financial Corp. is a director of the subject company in which PI provides research coverage.
- A member of the research analyst's household serves as an officer, director or advisory board member of the subject company.
- PI Financial Corp. and/or its affiliates make a market in the securities of the subject company.
- Company has partially funded previous analyst visits to its projects.

General Disclosure

The affiliates of PI Financial Corp. are PI Financial (US) Corp., PI Financial Services Corp., and PI Capital Corp.

Analysts are compensated through a combined base salary and bonus payout system. The bonus payout is amongst other factors determined by revenue generated directly or indirectly from various departments including Investment Banking. Evaluation is largely on an activity-based system that includes some of the following criteria: reports generated, timeliness, performance of recommendations, knowledge of industry, quality of research and investment guidance, and client feedback. Analysts and all other Research staff are not directly compensated for specific Investment Banking transactions.

None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PI Financial Corp.

PI Financial Corp.'s policies and procedures regarding dissemination of research, stock rating and target price changes can be reviewed on our corporate website at www.pifinancial.com (Research: Research and Conflict Disclosure).

The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
Thompson, Chris	Victoria Gold Corp	Management Review	Vancouver, BC	02/23/23

Recommendations	Number of Recommendations	Percentage
BUY	75	92.59%
NEUTRAL	5	6.17%
SELL	0	0.00%
UNDER REVIEW	1	1.23%
N/R	0	0.00%
TENDER	0	0.00%
TOTAL	81	

Stock Rating and Target Changes

For reports that cover more than six subject companies, the reader is referred to our corporate web site for information regarding stock ratings and target changes. www.pifinancial.com (Research: Research and Conflict Disclosure).

Victoria Gold Corp Rating History as of 02/22/2023



Capital Markets Group

Managing Director, SVP Capital Markets

Jeremiah Katz
604.664.2916

Managing Director, Head of Research

Chris Thompson, PGeo
604.718.7549

Managing Director, Head of Institutional Sales & Trading

Brodie Dunlop
604.718.7533

Managing Director, Head of Investment Banking

Tim Graham, B.Comm
604.664.3656

Research Analysts

Mining
Chris Thompson, P. Geo
604.718.7549
Philip Ker, P. Geo, MBA
647.789.2407
Justin Stevens, CFA
604.718.7542
Connor Mackay, P. Eng
604.718.7547

Diversified Industries

Ben Jekic, CFA, MBA
416.775.5107
Devin Schilling, CFA
604.718.7557

Special Situations/Technology

Jason Zandberg, B.BA, CFA
604.718.7541

Research Associates

Chris Hachkowski, P. Geo
416.775.4662
Jessica Stefan, B.BA
604.664.2628
Matt Taylor, M.Sc
604.718.7548

Marketing and Publishing

Michelle Kwok
604.664.2724

Institutional Sales

Vancouver
Adam Dell, CFA
604.718.7517
Brodie Dunlop
604.718.7533
Jeremiah Katz
604.664.2916
David Goguen, CFA
604.664.2963

Toronto

Jose Estevez, CFA
416.883.9042
Michael Palmer
416.883.9044

Calgary

Kerklan Hilton
403.543.2922

Institutional Trading

Vancouver
Darren Ricci
604.664.2998 or 200.667.6124 (US)
or 877.682.7233 (CDN)
Calvin Buchanan
604.718.7535

Toronto

Scott Brophy
416.883.9043

Investment Banking

Mining
Russell Mills, CFA, MFin
647.789.2405
Tim Graham, B.Comm
604.664.3656
Jim Locke, CFA
604.664.2670

Technology

Vay Tham
647.789.2417
Fayassir Haqna, B.BA
416.775.5115

Equity Capital Markets/Syndication

Jennifer Leung, BA
416.775.5120

Investment Banking Associate

Karolina Kosior
604.718.7516

Investment Banking Analyst

Jasdeep Toor, B.BA
604.664.2626

PI Financial Corp.

www.pifinancial.com

Head Office

Suite 2500, 733 Seymour Street
Vancouver, BC V6B 0S1
ph: 604.664.2900 fx: 604.664.2666

Toronto Office

Suite 3401, 40 King Street West
Toronto, ON M5H 3Y2
ph: 416.883.9040 fx: 647.789.2401

Calgary Office

Suite 4000, 350 7th Avenue SW
Calgary, AB T2P 3N9
ph: 403.543.2900 fx: 403.543.2800

For a complete list of branch office locations and contact information, please go to www.pifinancialcorp.com

Participants of all Canadian Marketplaces. Members: Investment Industry Regulatory Organization of Canada, Canadian Investor Protection Fund and AdvantageBC International Business Centre-Vancouver. Estimates and projections contained herein are our own and are based on assumptions which we believe to be reasonable. Information presented herein, while obtained from sources we believe to be reliable, is not guaranteed either as to accuracy or completeness, nor in providing it does PI Financial Corp. assume any responsibility or liability. This information is given as of the date appearing on this report, and PI Financial Corp. assumes no obligation to update the information or advise on further developments relating to securities. PI Financial Corp. and its affiliates, as well as their respective partners, directors, shareholders, and employees may have a position in the securities mentioned herein and may make purchases and/or sales from time to time. PI Financial Corp. may act, or may have acted in the past, as a financial advisor, fiscal agent or underwriter for certain of the companies mentioned herein and may receive, or may have received, a remuneration for their services from those companies. This report is not to be construed as an offer to sell, or the solicitation of an offer to buy, securities and is intended for distribution only in those jurisdictions where PI Financial Corp. is registered as an advisor or a dealer in securities. Any distribution or dissemination of this report in any other jurisdiction is strictly prohibited. PI Financial Corp. is a Canadian broker-dealer and is not subject to the standards or requirements of MiFID II. Readers of PI Financial Corp. research in the applicable jurisdictions should make their own efforts to ensure MiFID II compliance.

For further disclosure information, reader is referred to the disclosure section of our website.