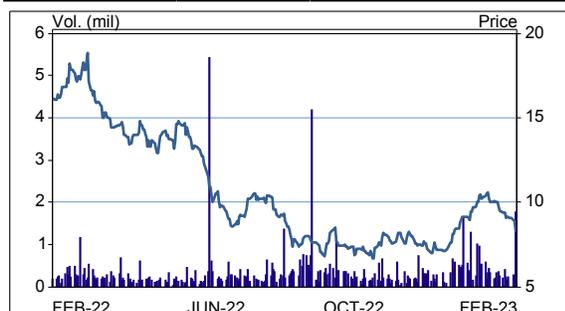


**Victoria Gold Corp. (VGCX.TO)**  
**Rating: Buy**

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**2022 and 4Q22 Financial Results; Lower YoY Revenue Driven  
 by Drop in Gold Sales; Reiterate Buy; PT Slightly Lower**

Stock Data		02/23/2023	
Price		C\$8.29	
Exchange		TSX	
Price Target		C\$21.00	
52-Week High		C\$18.90	
52-Week Low		C\$6.56	
Enterprise Value (M)		C\$761	
Market Cap (M)		C\$535	
Shares Outstanding (M)		64.5	
3 Month Avg Volume		372,732	
Short Interest (M)		1.27	
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	1.49
Revenue (C\$M)			
Full Year - Dec	2021A	2022A	2023E
FY	C\$356.5	C\$321.8	C\$364.2



**2022 and 4Q22 financial results hindered by higher costs and lower revenue.** On February 22, Victoria Gold announced its year-end financial results, highlighted by C\$321.8M in revenue and net income of C\$35.0M, or C\$0.55 per basic share. This compares to 2022 revenue of C\$356.5M and net income of C\$110.4M, or C\$1.77 per share. The 10% YoY drop in revenue was primarily due to ounces (oz) of gold sold declining to 139,596oz (-12% YoY), and was further exacerbated by a lower average realized price of gold, which fell slightly to \$1,772 (-1% YoY). With the firm's cost of goods sold increasing to C\$166.4M (+14% YoY), amid the lower YoY top-line, Victoria's gross profit saw a significant decrease to C\$87.7M (-42% YoY). In short, these effects drove the lower income during the year. We also note a C\$16.2M foreign exchange loss (C\$0.2M gain in 2021), as well as a C\$5.0M loss on deemed disposal of a subsidiary (nil in 2021), that further aided the drop in net income.

**4Q22 top-line falls YoY in line with lower gold sales.** During the quarter, Victoria recorded C\$92.3M in revenue amid a drop in net income to C\$10.5M, or C\$0.16 per share. This compares to 4Q21 revenue of C\$110.6M and net income of C\$45.7M, or C\$0.73 per share. Notably, the lower YoY revenue was once again due to gold sold falling to 40,573oz (-18% YoY). In addition, Victoria saw lower YoY revenue, that was paired with cost of goods sold increasing to C\$50.6M (+14% YoY), and ultimately yielded a gross profit of C\$22.9M (-54% YoY). In turn, the lower gross profit, in conjunction with the C\$5.0M loss on deemed disposal of a subsidiary mentioned above, drove the lower YoY net income for the quarter.

**2023 operations expected to see steady improvement YoY.** Going into 2023, Victoria's management team expects to achieve a gold production rate of between 160,000 – 180,000oz, with the low-end representing a 7% increase over 2022 production of 150,182oz. From a unit cost perspective, Victoria anticipates its all-in sustaining costs (AISC) at site to range between \$1,350 – 1,550/oz, which compares to an average 2022 AISC of \$1,441/oz. The firm's 2023 AISC guidance remains relatively in line with 2022 results. We therefore emphasize that supplementary costs and a loss of production related to the failure of Victoria's overland conveyor belt were mostly felt in 2022. In turn, management stated on its 2022 conference call that it expects a relatively minor hindrance on cash flow as a result of this failure in 1Q23.

**We are reiterating our Buy Rating on Victoria Gold while slightly lowering our PT to C\$21 from C\$22.** Our valuation remains based on a DCF of Victoria Gold's Eagle Gold mine on which we assign an unchanged 9.0% discount rate. This yields a project NAV of roughly C\$1.38B, or C\$20.40 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.

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**Near-term outlook.** Importantly, Victoria's 2023 production guidance has hinted towards improved operational activities. In addition, we note that management continues to navigate staffing at site given a personnel shortage amid a historically high turnover rate. In contrast, Victoria has already seen an improvement in maintenance staffing and protocols, although additional hires are expected to be necessary in order to reach an eventual production rate of 200,000oz per year. Lastly, and as stated on the company's 2022 earnings call, Victoria is expected to publish an updated Life of Mine plan for Eagle in the coming days. Looking ahead, we believe that this should provide additional granularity regarding the project's operational metrics on a broader timescale.

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

Eagle Gold Mine	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
<i>All relevant figures in USD and 000's unless specified.</i>									
<i>Note: Modeled production extends out to 2036 but years after 2031 are not shown.</i>									
<b>Tonnes processed</b>	<b>8,400</b>	<b>12,000</b>	<b>13,700</b>	<b>14,000</b>	<b>14,000</b>	<b>14,200</b>	<b>12,700</b>	<b>12,600</b>	<b>12,700</b>
Mill head grade (gpt)	0.80	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%
<b>Annual gold production</b>	<b>162.0</b>	<b>202.5</b>	<b>237.4</b>	<b>242.6</b>	<b>201.0</b>	<b>193.3</b>	<b>157.2</b>	<b>174.7</b>	<b>157.2</b>
<b>Gold Price (USD)</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>	<b>\$ 1,750</b>
<b>Total revenue</b>	<b>\$ 283,563</b>	<b>\$ 354,454</b>	<b>\$ 415,459</b>	<b>\$ 424,557</b>	<b>\$ 351,776</b>	<b>\$ 338,346</b>	<b>\$ 275,095</b>	<b>\$ 305,681</b>	<b>\$ 275,095</b>
Cash costs per ounce of gold	\$ 890	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Total operating costs	\$ 144,212	\$ 151,909	\$ 178,054	\$ 181,953	\$ 150,761	\$ 145,005	\$ 117,898	\$ 131,006	\$ 117,898
<b>Gross profit</b>	<b>\$ 139,351</b>	<b>\$ 202,545</b>	<b>\$ 237,405</b>	<b>\$ 242,604</b>	<b>\$ 201,015</b>	<b>\$ 193,340</b>	<b>\$ 157,197</b>	<b>\$ 174,675</b>	<b>\$ 157,197</b>
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)	\$ (7,630)	\$ (17,073)	\$ (20,714)	\$ (45,691)	\$ (37,077)	\$ (35,487)	\$ (28,002)	\$ (31,621)	\$ (28,002)
<b>Operating cash flow</b>	<b>\$ 41,720</b>	<b>\$ 152,472</b>	<b>\$ 194,692</b>	<b>\$ 174,913</b>	<b>\$ 141,938</b>	<b>\$ 135,853</b>	<b>\$ 107,196</b>	<b>\$ 121,053</b>	<b>\$ 107,196</b>
<b>Discount rate 9.0%</b>									
<b>PV of operating cash flow</b>	<b>\$ 41,720</b>	<b>\$ 139,883</b>	<b>\$ 163,868</b>	<b>\$ 135,065</b>	<b>\$ 100,552</b>	<b>\$ 88,295</b>	<b>\$ 63,917</b>	<b>\$ 66,220</b>	<b>\$ 53,798</b>
Total current cash flow (CAD)	\$ 1,381,568	\$ 20.40	<i>per share</i>						
Exploration assets (CAD)	\$ 50,000	\$ 0.74	<i>per share</i>						
Cash and cash equivalents + Marketable Securities (CAD)	\$ 33,377	\$ 0.49	<i>per share As of 12/31/22</i>						
Inventory (CAD)	\$ 211,713	\$ 3.13	<i>per share As of 12/31/22 CAD/USD 0.7397 As of 2/23/23</i>						
Debt (CAD)	\$ (246,989)	\$ (3.65)	<i>per share As of 12/31/22</i>						
<b>Total Company NAV (CAD)</b>	<b>\$ 1,429,669</b>								
Fully diluted shares	67,709	<i>As of 2/23/23</i>							
Victoria Gold share price (VGCX.TO) (CAD)	\$ 8.29	<i>As of 2/23/23 Discount to PT 61%</i>							
Project NAV per share (CAD)	\$ 21.11								
<b>Rounded Price Target (CAD)</b>	<b>\$ 21.00</b>								

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

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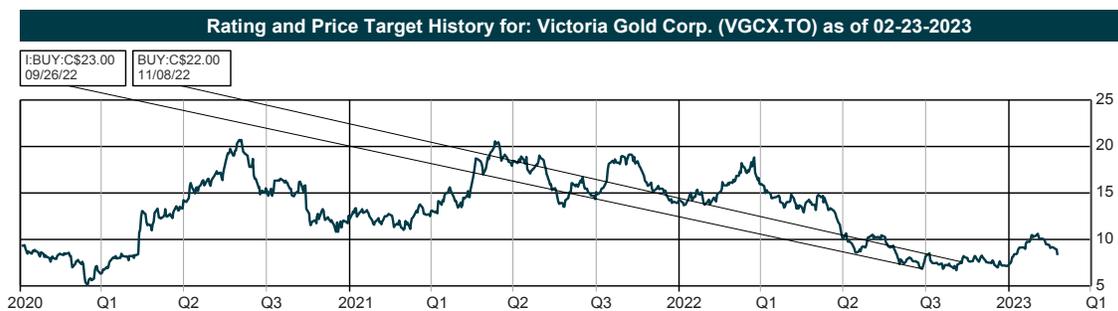
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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	579	86.94%	134	23.14%
Neutral	70	10.51%	11	15.71%
Sell	0	0.00%	0	0.00%
Under Review	17	2.55%	4	23.53%

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