

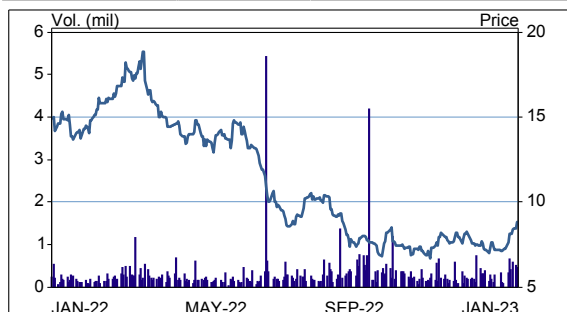
Victoria Gold Corp. (VGCX.TO)
Rating: Buy

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4Q22 and 2022 Production Lags YoY Based on Lower Mechanical Availability; Reiterate Buy

Stock Data		01/10/2023	
Price		C\$8.84	
Exchange		TSX	
Price Target		C\$22.00	
52-Week High		C\$18.90	
52-Week Low		C\$6.56	
Enterprise Value (M)		C\$717	
Market Cap (M)		C\$570	
Shares Outstanding (M)		64.5	
3 Month Avg Volume		272,034	
Short Interest (M)		0.78	
Balance Sheet Metrics			
Cash (M)		C\$49.00	
Total Debt (M)		C\$196.19	
Total Cash/Share		C\$0.76	
EPS (C\$) Diluted			
Full Year - Dec	2021A	2022E	2023E
FY	1.85	0.84	2.27
Revenue (C\$M)			
Full Year - Dec	2021A	2022E	2023E
FY	C\$356.5	C\$327.8	C\$433.4



4Q22 and 2022 production results. On January 10, Victoria Gold announced its quarterly and annual production results. During the quarter, the Eagle mine saw gold production of 43,741 ounces (oz), representing a 11.6% decline from 4Q21 production of 49,497oz of gold. Notably, ore stacked on the pad fell to 1.4M tonnes (t), down from 2.5Mt in 4Q21. In addition, we stress that the average grade of ore stacked came in at 0.90 grams per tonne (gpt) gold, compared to 0.83 gpt in 4Q21. We note that 4Q22 production was below Victoria's expectations as mechanical availability at the site remained an issue. We highlight that low mechanical availability of the crushing and conveying circuit was due to a failure of the belt on the overland conveyor in late-3Q22 and not based on factors the firm can control. Nonetheless, this failure resulted in nearly three weeks of downtime and, in turn, lower YoY gold production.

2022 production lags YoY. During the year, the company produced 150,182oz of gold for a 9% decrease YoY. Eagle's combined mining rate fell to 48,000t per day (-28% YoY) as ore stacked at the site dropped to 6.7Mt (-27% YoY). We also highlight that the average ore grade stacked during 2022 remained flat YoY at 0.85 gpt gold, while grades over the course of the year improved quite meaningfully.

We are reiterating our Buy Rating on Victoria Gold and our PT of C\$22. 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\$1.42B, or \$21.09 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\$49.0M in cash and marketable securities, coupled with about C\$196.2M 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\$22.00 per share.

Near-term catalysts. Going forward, we highlight the non-recurring nature of the aforementioned mechanical availability. Looking ahead, we expect mining rates and stacking to improve in 2023. Additionally, Victoria's management team has emphasized that it has improved its staffing and protocols for operations and maintenance. Going forward, these steps are expected to help achieve materially higher gold production this year.

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

Eagle Gold Mine	2022E	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>										
Tonnes processed	6,966	10,000	12,000	13,700	14,000	14,000	14,200	12,700	12,600	12,700
Mill head grade (gpt)	0.84	0.80	0.70	0.70	0.70	0.58	0.55	0.50	0.56	0.50
Gold recovery	75%	75%	75%	77%	77%	77%	77%	77%	77%	77%
Annual gold production	150.2	192.9	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	\$ 1,750
Total revenue	\$ 262,819	\$ 337,575	\$ 354,454	\$ 415,459	\$ 424,557	\$ 351,776	\$ 338,346	\$ 275,095	\$ 305,681	\$ 275,095
Cash costs per ounce of gold	\$ 891	\$ 800	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750	\$ 750
Total operating costs	\$ 133,751	\$ 154,320	\$ 151,909	\$ 178,054	\$ 181,953	\$ 150,761	\$ 145,005	\$ 117,898	\$ 131,006	\$ 117,898
Gross profit	\$ 129,068	\$ 183,255	\$ 202,545	\$ 237,405	\$ 242,604	\$ 201,015	\$ 193,340	\$ 157,197	\$ 174,675	\$ 157,197
Sustaining capital and CapEx	\$ (74,000)	\$ (54,000)	\$ (33,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)	\$ (22,000)
(Tax) / Tax Benefit (\$000s)	\$ (7,606)	\$ (14,743)	\$ (17,080)	\$ (20,722)	\$ (45,709)	\$ (37,092)	\$ (35,502)	\$ (28,013)	\$ (31,634)	\$ (28,013)
<i>Note: Assuming tax-loss carryforward until 2025.</i>										
Operating cash flow	\$ 47,462	\$ 114,512	\$ 152,465	\$ 194,683	\$ 174,895	\$ 141,923	\$ 135,839	\$ 107,185	\$ 121,041	\$ 107,185
Discount rate 9.0%										
PV of operating cash flow	\$ 47,462	\$ 105,057	\$ 128,327	\$ 150,331	\$ 123,900	\$ 92,240	\$ 80,996	\$ 58,634	\$ 60,746	\$ 49,351
Total current cash flow (CAD)	\$ 1,421,257	\$ 21.09	per share							
Exploration assets (CAD)	\$ 50,000	\$ 0.74	per share							
Cash and cash equivalents + Marketable Securities (CAD)	\$ 49,013	\$ 0.73	per share	As of 9/30/22						
Inventory (CAD)	\$ 196,192	\$ 2.91	per share	As of 9/30/22	CAD/USD	0.74	As of 1/10/23			
Debt (CAD)	\$ (251,721)	\$ (3.74)	per share	As of 9/30/22						
Total Company NAV (CAD)	\$ 1,464,741									
Fully diluted shares	67,379	As of 11/4/22								
Victoria Gold share price (VGCX.TO) (CAD)	\$ 8.84	As of 1/10/23	Discount to PT	60%						
Project NAV per share (CAD)	\$ 21.74									
Rounded Price Target (CAD)	\$ 22.00									

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

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Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
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Neutral	70	10.39%	11	15.71%
Sell	0	0.00%	0	0.00%
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