Transcript: August 10, 2023

Victoria Gold Corp. – Second Quarter 2023 Financial Results Video and Conference Call

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John McConnell, President and CEO:

Thank you all for joining the call. I'll provide a brief summary of the second quarter and then pass the call to Marty and Mark to provide more details.

First and foremost, starting with safety. Our excellent safety performance continued in the second quarter. We once again had no Lost Time Injuries in Q2 and our TRIF for 2023 was 0.28 at the end of Q2. Our focus on Health and Safety has been evidenced by our response to recent East McQuesten wildfire in Yukon as our on-site leadership team and employees have responded admirably to a challenging, dynamic situation with no significant safety incidents occurring.

As a result of a separate fire, the Talbot Creek Fire, the nearby Village of Mayo has been evacuated. Having just went through the challenging and stressful task of evacuating a large group of people, our thoughts are certainly with the Mayo community.

Operationally, the second quarter of 2023 saw the Eagle gold mine continue its strong operational performance, trending in-line with our guidance ranges for production and costs.

Unfortunately, in the past 2 weeks, wildfire activity in Yukon has forced us to proactively evacuate some employees and reduce staffing levels at site. Although the risk to Eagle has been reduced in recent days due to favourable conditions and the superb response of the Yukon Wildland Fire Management team, reduced staffing levels and lower ore mining, crushing, and stacking rates will impact H2 production and costs; however, our 2023 guidance ranges are unchanged for both production and costs.

We continued our exploration program in Q2, notably drilling at our Raven deposit with 2 drill rigs, following up on the strong results from 2022 exploration at Raven. We look forward to sharing the results of the 2023 exploration drilling program with you in the coming weeks.

I will now turn the call over to Marty Rendall, our Chief Financial Officer.

Marty Rendall, CFO:

Hi everyone. I will briefly discuss our financials before passing it over to Mark to discuss operations. Currency will be in Canadian $ unless I specifically mention otherwise.

During the quarter, we sold about 45,000 ozs of gold resulting in revenue of approximately 119 million. That is about 71% higher than the 69 million in revenue that generated during the 2nd quarter of 2022. The revenue difference is primarily the result of increased gold ounces sold although both a higher gold price and favourable C$/US$ exchange rate also contributed to the improved revenue. The gold price in US$ was also lower, however, this was mostly offset by a higher C/US exchange rate.

Cost of goods sold was 75 million during the quarter, compared to 30 million in the 2nd quarter of the previous year. The large increase is principally due to the higher number of ounces sold. Recall that operating costs and costs of goods sold are based on the number of ounces removed from inventory, primarily the heap leach pad. Cost of inventory is based on the average production costs of all gold held in inventory. Along with the higher number of ozs sold, cost of goods sold was also inflated in the current quarter due to higher costs per unit as a result of continued high inflation. Although we have seen lower fuel costs year over year, most other cost inputs, including labour, parts and contractors have continued to trend higher. Maintenance costs within both the mining and processing areas were high during the quarter as the Company focused on reducing preventative maintenance.

The higher gold sales and revenues combined with higher costs year over year resulted in an increase to gross profit and operating earnings.

When we look at some of the non-operational impacts on net income we see:

1. higher interest expense year over year, due to higher interest rates;
2. higher gains on foreign exchange, due to the impact of the strengthening US dollar on our US dollar denominated debt;
3. and lower gains on derivative instruments, due to changing prices of the underlying instruments which include gold price, exchange rate, interest rate and the Victoria Gold share price.

Income before tax for the quarter was $4.7 million, slightly higher than the $4.2 million income achieved during the 2nd quarter of 2022. Taxes, included current and deferred income and mining taxes increased year over year, contributing to a small reduction in quarterly net income after tax. The 2nd quarter 2023 net income after tax was 16 million, or 24 cents per share.

At the end of June 2023, the Company held cash and equivalents of $28 million compared to 21 million at the end of December 2022. I would like to remind listeners that we use our revolving credit facility to manage our treasury therefore, our cash balance generally stays fairly constant while debt will fluctuate to match liquidity needs.

Working capital at the end of June 2023 was 157 million compared to 95 million at the end of December 2022. This material increase in working capital is substantially the result of reduced accounts payable.

During the most recent quarter, total capital expenditures were 18 million, while 6 months year to date total capital expenditures were 35million. This is comprised of sustaining capital, capitalized stripping, and growth capital and exploration. A detailed breakdown is shared within our MD&A.

I will now review our Non-IFRS performance measures. Once again, the detailed numerical breakdown along with commentary on the calculation is within our MD&A. During this section, I will use US$ for unit-based numbers to allow for uniform peer comparison.

The average realized price per ounce of gold sold during the most recent quarter was 1,981 US$. This compares to the 2nd quarter of 2022 where we realized 1,901 US$ per oz.

Cash costs per ounce of gold sold during the most recent quarter were 1,253 US$. This compares to the 2nd quarter of 2022 where we realized 828 US$ per oz.

All-in sustaining costs per ounce of gold sold during the most recent quarter were 1,466 US$. This compares to the 2nd quarter of 2022 where we realized 1,371 US$ per oz.

Free cash flow before adjustments during the most recent quarter was 14 million C$. This compares to the 2nd quarter of 2022 where free cash flow before adjustments was 18 million C$.

Adjusted Free cash flow during the most recent quarter was negative 14 million C$ due to working capital adjustments including repayment of accounts payable and the settlement of gold call options. This compares to the 2nd quarter of 2022 where Adjusted free cash flow was 1 million C$.

EBITDA, Earnings Before Interest Taxes and Depreciation and Amortization, in the second quarter was 52 million C$ or $0.79 per share. This compares to the 2nd quarter of 2022 where EBITDA was 44 million C$ or $0.69 per share.

I will now turn the call over to Mark Ayranto, our Chief Operating Officer.

Mark Ayranto, COO:

In the second quarter of 2023, the Eagle mine produced approximately 46,000 ounces of gold, our highest ever second quarter production, a 42% increase year-over-year.

In the first 6-months of 2023, we have produced a total of 83,000 ounces of gold, positioning us to achieve our 2023 production guidance of 160-180,000 ounces.

We stacked 2.5 million tonnes of ore grading 0.74 g/t in the second quarter for a total of 4.6 million tonnes grading 0.80 g/t stacked in the first 6-months of the year. The mining rate in the second quarter was 49,000 tonnes per day, slightly higher than the 48,000 tonnes per day averaged in the second quarter of 2022. Mining rates are expected to increase in the second half of 2023, primarily due to availability of waste headings, combined with shorter haul distances.

Our leach pad performance remained strong in the second quarter. Recoveries are continuing to trend in line with our forecasted levels. Notably, we saw an approximate 7,000 ounce reduction in our recoverable mineral inventory in the second quarter as ounces stacked in prior quarters were recovered to dore, as expected under our leach recovery curve.

Grades stacked in Q2 remained in-line with the Eagle reserve model, which continues to reconcile well to actual production results.

As demonstrated by our Q2 operational results, our production levels and asset availability have improved significantly year-over-year. We have now turned our focus to optimizing our costs to improve the margin of our produced ounces. We have a number of initiatives currently underway that we expect will improve our cost profile in the coming quarters, including optimized waste haulage resulting in faster cycle times and reduced mining costs, a reduction in contractors used on site as staffing has improved, optimized blasting practices to improve fragmentation and reduce processing costs, and improved maintenance scheduling and supply chain management to reduce the cost and amount of parts required at Eagle.

Finally, as John noted at the beginning of the call, the recent wildfire activity in the vicinity of Eagle has impacted our mining and stacking rates so far in the third quarter. Despite this impact to our production, we are encouraged by the response of our entire team, in particular our on-site employees, as we have adapted to a challenging and quickly evolving environment. Our highest priority during this time has been the safety of our employees. We look forward to getting back to full production levels imminently.

John, back to you for concluding remarks.

John McConnell, President and CEO:

In summary, the second quarter of 2023 continued our strong operational performance. Our team has worked hard to implement a number of initiatives that have resulted in impressive year-over-year improvements in production. Despite this, we see further operational improvements on the horizon, in particular as we work to reduce our operating costs.

As a final note, I would like to again express our thanks for the excellent response of both the Yukon Wildland Fire Management Team and our employees to the wildfire activity in Yukon this season.

Thank you all for listening and we will now open the call for Q&A.