

# Victoria Gold peaks the interest of many

By Brian O'Hara

**V**ictoria Gold Corp. (VIT-TSX / VEN, \$0.54) is a junior gold explorer with development projects in Yukon and Nevada. While many junior companies have big ideas, Victoria has the management capability and the shareholder base to "deal big."

The president and CEO is Chad Williams, a former gold-mining analyst and head of mining-investment banking at Blackmont Capital. Several directors have senior management experience at senior mining companies, such as De Beers Canada, Kinross and Newmont. Victoria Gold has a market capitalization of about \$100 million (195 million shares outstanding) and about \$10 million in cash.

The shareholders are mostly institutional, with the largest shareholder at about 22 per cent being senior producer **Kinross Gold** (K-TSX, \$23.78) and there is a strategic relationship with senior gold producer **Newmont Mining** (NEM-NYSE, \$46.18). About 20 per cent is owned by 10 fund managers such as Mackenzie Financial, JP Morgan, RBIM, Sprott Asset Management, TDAM, OMERS and US Global and also Newmont Mining.

Victoria Gold is covered by mining analysts at four investment dealers, which is unusual for a company of this size. (Paradigm Capital, Wellington West, Raymond James and Sandfire Securities.)

Victoria Gold has raised capital three times this year. Once on Feb. 19 when it raised \$7.1 million from the sale of units at \$0.45 consisting of one share and a half a warrant entitling the unitholder to buy one share at \$0.55 a share until March 2011. The second time, on March 16, it raised \$3 million when it raised money on similar terms. The third time was \$1.9 million in tax advantaged



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flow-through shares.

The current market price is a bit more than 20 per cent higher than the earlier stock issues when the gold markets were much less excited, with less development work and Victoria Gold had not yet closed the acquisition of its flagship Eagle Gold project in the Yukon.

The big institutions and mining-company shareholder have done their due diligence and have elected to take a speculative risk on Victoria Gold. An investor could decide to make an investment in Victoria Gold, based only on the type of institutional shareholders without knowing anything about it's projects. This investor could be guilty of using a "coattail investing" strategy of following the same trades as successful investors and managers. This is a valid and perfectly legal investing strategy in contrast with the illegal strategy of "insider trading" that never seems to be eradicated from Wall Street trading offices.

The company's flagship project is the Eagle Gold project, which was the main reason for acquiring StrataGold in a business combination in June of 2009. This project located in the Dublin Gulch is accessible by road about 85 km from Mayo, in the Keno Hill district of the Yukon and 20 km to hydro electric power. This project has been worked extensively over a 20-year period. The property also hosts a separate tungsten deposit.

The Eagle Gold project contains about 2.7 million ounces of gold in 100 million tonnes grading 0.85 grams of gold per tonne. There are many similarities with the Kinross Fort Knox mine and Victoria benefits from having Kinross as a large shareholder.

The Kinross Fort Knox Mine in Alaska is a high-tonnage/low-grade gold operation. (252 million tonnes proven and probable reserves grading 0.47 grams of

gold per tonne and an additional 97.2 million tonnes of measured and indicated resources grading 0.55 grams of gold per tonne). The profitable Fort Knox operation proves that low-grade-gold operations can be successful in the far North.

Victoria Gold has planned a \$5 million budget for Eagle Gold project in 2009, consisting of geotechnical drilling in order to define mine planning and location of waste dumps. The gold would be recovered using heap leaching. Victoria Gold is working toward a pre-feasibility study and is continuing environmental baseline data to support permit applications. Its timeline would expect a 2010 completion of feasibility study with a completion in 2011 for permitting. After that a two-year construction could result in starting production as early as 2014.

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Special thanks to the Yukon Energy, Mines and Resources, which arranged a media tour to the Yukon that included a field visit to the Eagle Gold project.

Victoria Gold has very important development projects in Nevada, by entering into a "Mineral Lease Agreement" in June of 2006 with Newmont to develop the Cove-McCoy project in northern Nevada. Under this agreement, Victoria Gold has the right to explore and develop the Cove-McCoy project, which includes the Cove mine.

Victoria Gold was required to spend US\$8.5 million over seven years in developing its claims west of and north of the Cove

open-pit gold mine. Victoria Gold has satisfied the obligations, which provides Newmont the right to "back in" to a 51 per cent interest in this project by paying 2.5 times the development expenses done by Victoria or about US\$25 million.

Their current work on the Helen Zone, located 800 meters northwest of the Cove open pit, has returned very impressive intersections, with one of the best being an 38.4-meter section grading 10.95 grams of gold per tonne. There are 13 other drill-ready targets on the Cove project.

Victoria Gold has other Nevada projects in its development pipeline. Its Big Springs project has a NI 43-101 inferred resource of 1.2 million ounces of gold grading 2.67 grams of gold per tonne. Other projects such as their Santa Fe project have drill intersections grading 47.6 m of 1.34 grams of gold per tonne.

In what could be construed as a frothy market for gold, investors like to know they are not investing in a gold exposure at a high price.

Victoria Gold, showing the benefits of having a former mining analyst as president and CEO does provide a shareholder presentation showing its valuation (enterprise value/ resources in ounces) relative to other companies. The valuation for Victoria Gold of about US\$15-20 per ounce of gold in inferred resources is low relative to other junior companies. This valuation has attracted a number of mining analysts, senior gold mining companies and institutional fund managers. Victoria Gold could have interesting developments coming in from its current projects and its project pipeline in the future, which can only help improve its stock price from current levels.

*Brian O'Hara is a freelance writer; P. Eng (Ont) with experience in mining engineering and financial services.*