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HARD ROCK ANALYST

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HRA Journal

HARD ROCK ANALYST JOURNAL • VOLUME 10, NUMBER 03 • MARCH 2010

Updates

Virginia Gold Mines (VGQ-T; \$5.80) has received and announced a major new expansion of the resource in the Eleanor project in the Baie James region of Quebec, on which it holds a 2.2-3% royalty. The new estimate totals 9.4 million gold oz and, as importantly, the average grade has also moved up in all categories to an average 12.6 g/t (0.37 oz/ton) that is a robust C\$460 per tonne at current gold prices. Goldcorp (G-T, GG-N;) just announced a prefeasibility study based on the previous 2008 resource estimate that suggests a 330,000 oz/annum operation with a sub \$400 per oz operating cost. A shaft is being sunk from which more detailed testing of deep high-grade zones will be done.

Although it would take some years to work a development of this type up to full potential, we would expect a resource of this scale to be targeting eventual output at the half million oz per annum scale. This would be a large underground operation but certainly a doable one that would not be significantly larger than Goldcorp's Musselwhite operation in northwestern Ontario that has a similar infrastructure framework.

At current prices the gross in-situ value of the VGQ royalty approaches \$300 million, which is better than double Virginia's current enterprise value. Though the advanced royalty payments are currently only \$100,000 per month, this cash flow could eventually rise by an order of magnitude

larger than that. Given the quality of Virginia's northern Quebec exploration portfolio that means we continue to view VGQ as both about the safest speculation out there and also a candidate for takeover at higher prices as the Eleanor planning is firmed up.

VGQ has continued the slow turnover that has been its hallmark since coming out as the sibling of VIA after its sale to Goldcorp. It is a story primed for gains on good news from any of the four gold projects it is testing this winter season. We expect that slow turnover to continue its upward trend while news from this work is pending.

<http://www.virginia.qc.ca/>

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*HRA Journal is published by Stockwork Consulting Ltd.
Box 84909, Phoenix, AZ, USA; 85071*

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Subscription Rates for the HRA Journal:
One year (12 issues), \$199. Two years (24 issues), \$380.