

Virginia Mines (VGQ-TSX)

Extracted from the February 2010-2 Issue

A recently reported increase in the gold resource at Eleonore has important implications for Virginia. The total resource at the Quebec deposit has increased from 5.3 million ounces to 9.4 million ounces of gold, according to the latest resource estimate from Goldcorp. A predecessor company to Virginia discovered the deposit and sold it to Goldcorp in 2006 for US\$420 million. Virginia retains a royalty on production from the Eleonore deposit.

The royalty agreement entitles Virginia to a 2% royalty on the first 3 million ounces of gold produced. The royalty rate increase by 0.25% on top of the 2% for each million ounces produced beyond the first 3 million. In addition, the basic royalty payment is boosted 10% if the price of gold remains over \$500 per ounce, to a limit of 3.5%. The Eleonore mine is expected to begin production in 2015. In the meantime, Virginia is already receiving an advance royalty of C\$100,000 per month.

The same management and geological team that discovered Eleonore is presently working on several other projects in northern Quebec, including an extensive property immediately adjacent to the Goldcorp property.

Over the next six months, 16,000 meters of drilling is planned on Virginia's properties. Much of the funding will be provided by joint venture partners. The projects include follow up work to known gold discoveries and tests of new targets.

In addition to several gold projects, Virginia holds a 100% interest in the Coulon project in north-central Quebec. Coulon hosts an indicated resource of 3,675,000 tonnes at an average grade of 3.61% zinc, 1.27% copper plus lead, silver and gold plus an inferred resource of 10,058,000 tonnes at similar grades. That deposit is located near electricity, infrastructure and roads. It seems a likely target for a sale or spin-out.

Virginia has one of the best exploration teams in the business, with a total focus on northern Quebec, where they have considerable expertise. The company's \$40 million in cash and the value of the Eleonore royalty represent a large portion of its current market value. The company is being given little credit for its Coulon project and the exploration upside potential of further discoveries on its gold properties.

Price February 24, 2010: C\$5.74

Shares Outstanding: 29 million

Shares Fully Diluted: 31 million

Market Cap: C\$166 million

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