

...VIRGINIA MINES...

“Gold and other precious metals have resumed their bull market after taking a pause for much of the spring and summer. The best returns often come from junior companies, which have plenty of leverage. Last year’s pick is up over 50%. The key is to find a company with the potential without the usual risk. **Virginia Mines, Inc.** (VGQ 4.05 Toronto) has a business model that minimizes the risk. The largest landowner in the Canadian province of Quebec, Virginia stakes prospective ground and undertakes initial exploration before bringing in partners who typically spend all of the exploration dollars in return for a stake in any discovery. Thus, Virginia increases greatly its odds of being successful by spreading its risk. Virginia has a dozen active projects, including drill programs on at least four different properties over the next few months. Although C\$6 million is being spent on these properties in the next few months, Virginia’s share is less than \$2 million with partners spending the rest. This is a very active exploration program for a junior company, greatly enhancing its odds of eventually repeating the success it had in 2005 on a gold property sold to Goldcorp (which saw the stock go from the one-dollar level to \$14 in a couple of years). It has top quality management and a super strong balance sheet of C\$45 million. Virginia may or may not succeed again this coming year, but even with no new success, the company will still be around, in a strong position, to fight another day. That’s why Virginia is our favorite exploration company and one we are comfortable owning for the long-term.”

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