



# VICTORIA

GOLD CORP

TSX-V: VIT

Gold by Design

Victoria  
GOLD CORP 

# Part 1: What Drives the Price of Gold? It Will Surprise You



“It would be so nice if something made sense for a change”

Alice In Wonderland, Lewis Carroll



# Speaker Qualifications



- Former top ranked gold mining analyst
  - TD Bank
  - Westwind Partners (now Thomas Weisel)
  - Blackmont Capital
- Fund Advisor
  - Agilith Global Mining Venture
- Gold company CEO
  - Victoria Gold Corp
- Mining Engineer, MBA

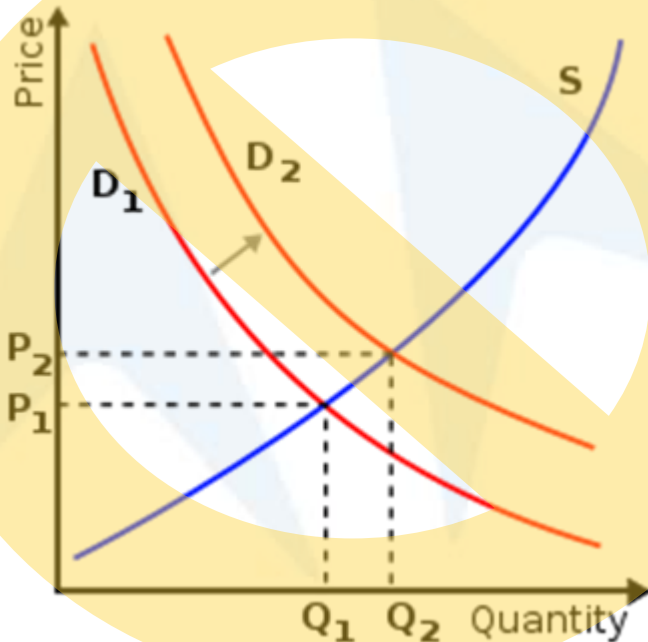
Over 25 years  
in mining

# Speaker Qualifications

## Track Record:

- Predicted gold bull market in 1999
- First analyst with \$1000 per ounce target (2006)
- First or only analyst to call over 30 major gold discoveries and stock wins
- Invented Silver Wheaton concept

# Gold: Economics 101 Doesn't Work



Examples:

- 1) TD supply/demand
- 2) Brazilian gold miner

The graph depicts an increase (that is, right-shift) in demand from D1 to D2 along with the consequent increase in price and quantity required to reach a new equilibrium point on the supply curve (S).

# ➤ Gold: Economics 101 Doesn't Work

Traditional supply/demand relationships don't work for gold because:

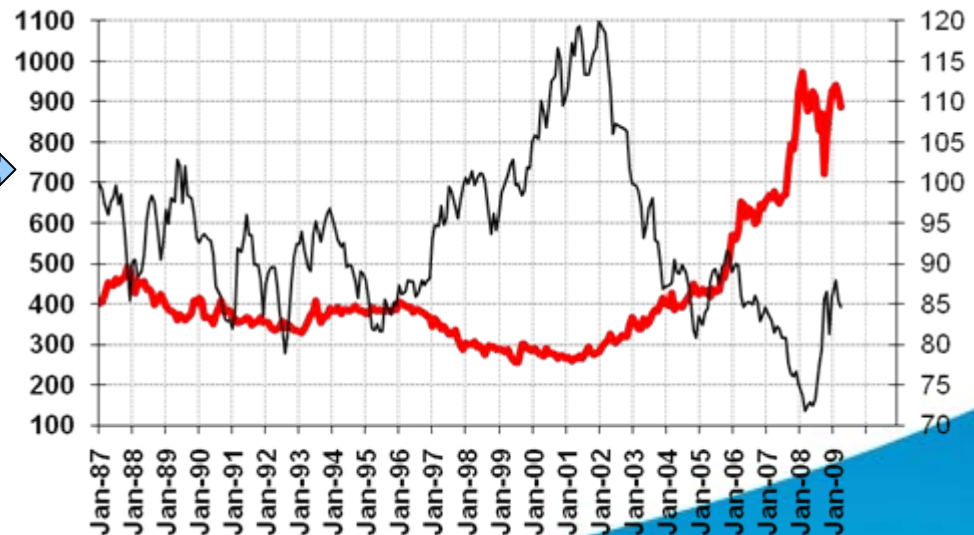
- Supply represents over 10 years of annual gold demand
- So any changes in demand don't affect gold's price materially
- This is why gold is said to be an excellent store of value



# Gold: Economics 101 Doesn't Work

- The price of gold is the mirror image of the value of financial assets
- Three drivers account for over 80% of the variation of the \$US gold price:

- 1) The US dollar →
- 2) Inflation
- 3) Stock prices



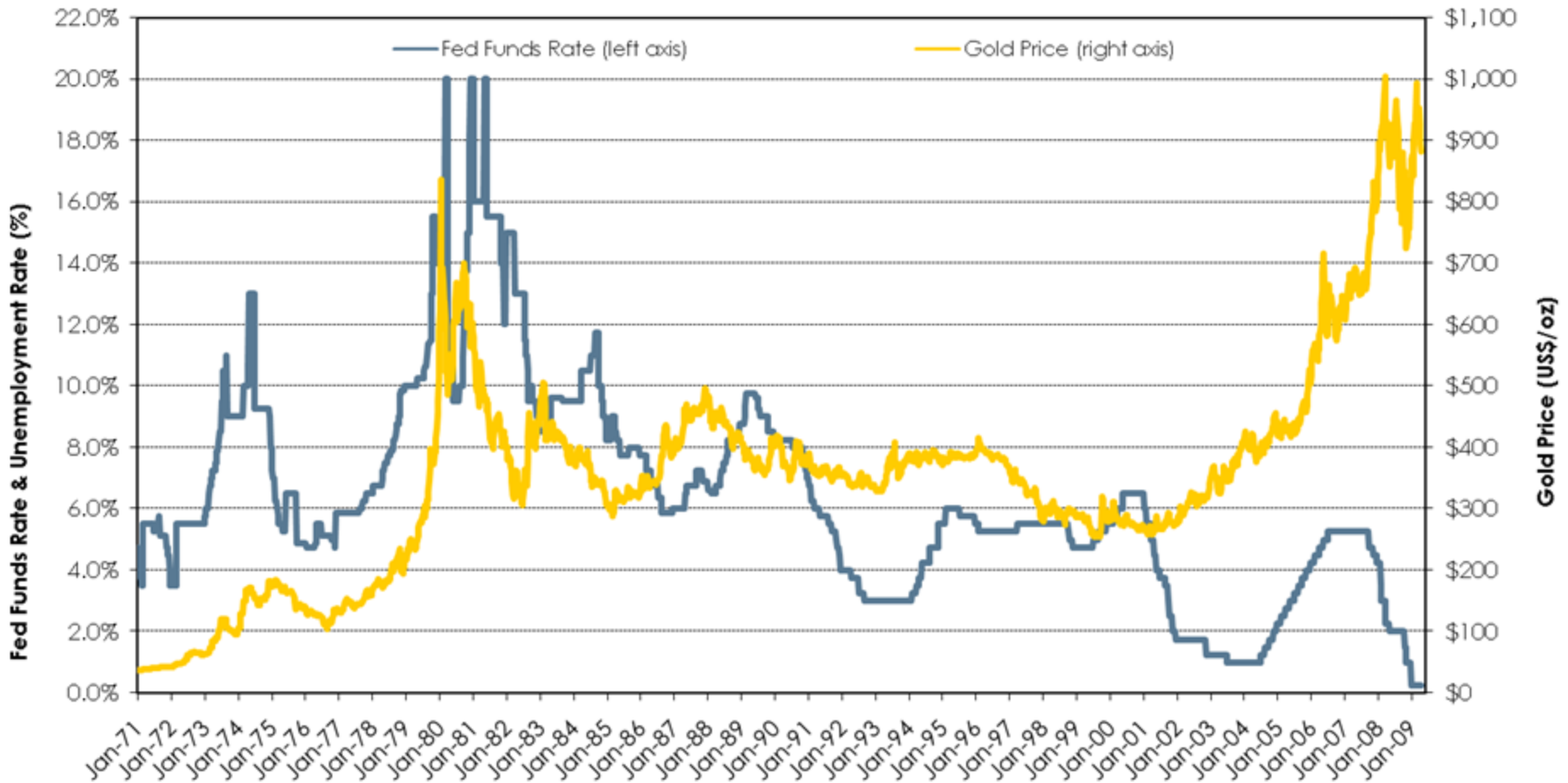
Source RBC Capital Markets



# Gold: Economics 101 Doesn't Work

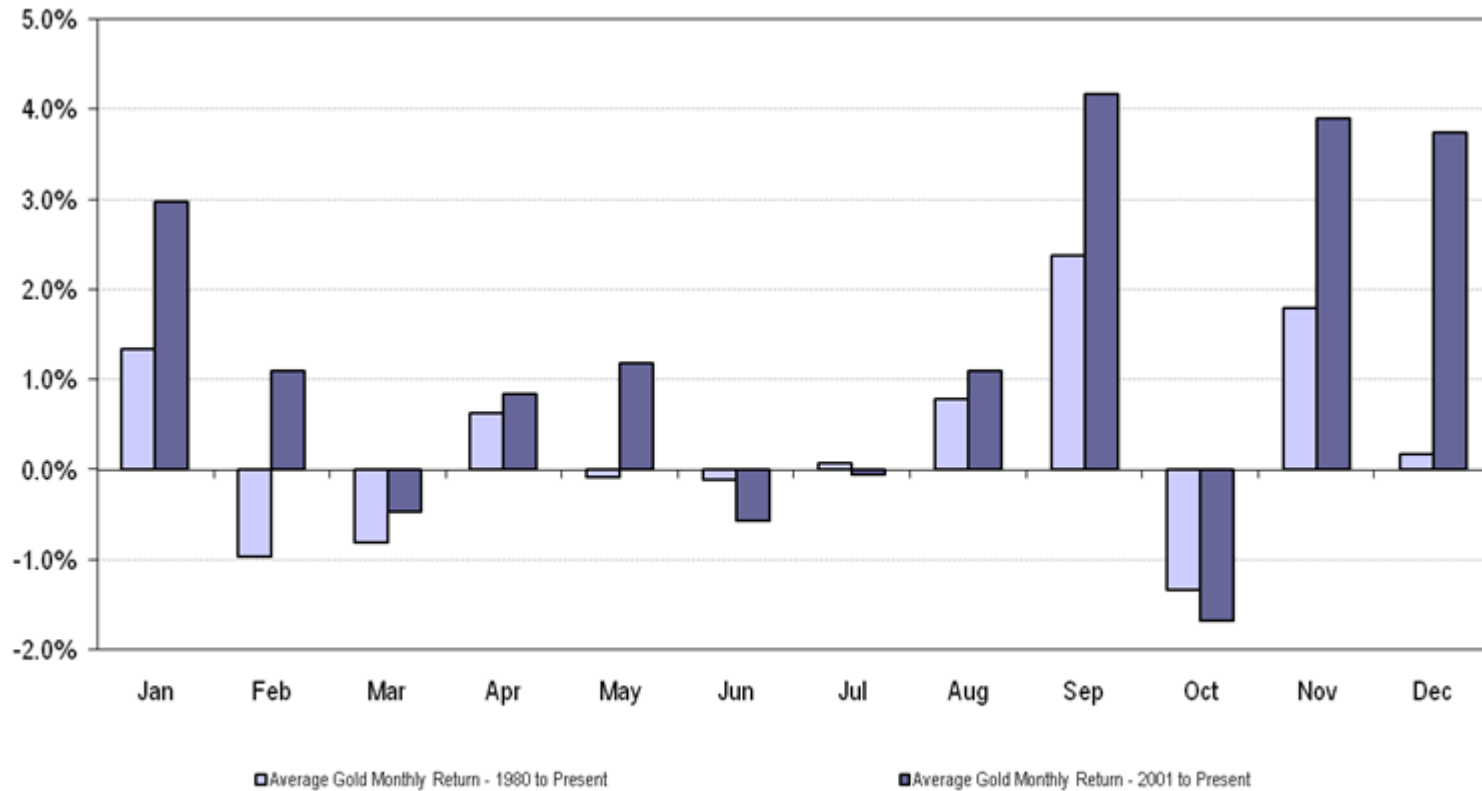


## Gold Price, Fed Funds & U.S. Unemployment Rate





# Other Things to Keep in Mind - Seasonality (source RBC Capital Markets)



# ➤ Other Things to Keep in Mind - Manipulation

- Uncanny release of information from official agencies especially central banks and the IMF when gold rises
- BUT supply or demand are trading opportunities only
- Sell on good news and buy on bad news



# Conclusions

- Gold is NOT a traditional asset and its price is NOT driven like one
- Trade inversely to normal response when a physical shock occurs
- We expect gold to hit at least \$1,200/oz



## Part 2: How to Avoid Pitfalls in Junior Gold Mining



A mine is "a hole in the ground  
owned by a liar."

attributed to Mark Twain

## Common Mistakes

- Chasing hot drill holes
- Not understanding the risks
- Buying an overvalued stock
- Selling a stock too early

**VERY difficult to make money in junior mining stocks**

# The Magic Recipe: QVP

1. Quality Assets and People
2. Value per share
3. Patience

# Quality: What to Look for?

Mining is an incredibly difficult business

Want assets with:

- Healthy balance sheet
- Low political risk
- In lowest cost quartile
- Over 10 year mine life

# Quality: What to Look for?

Want people with:

- HIT (honesty, integrity, and transparency)
- Supporters
- Positive team dynamics
- Track record of success

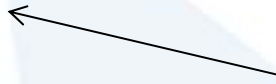
“Bet on the jockey not the horse”



# Value: Key Metrics

- P/NAV
- P/CFPS
- P/EPS
- EV/ozs in the ground
- EV/ozs of annual production

Non-producers

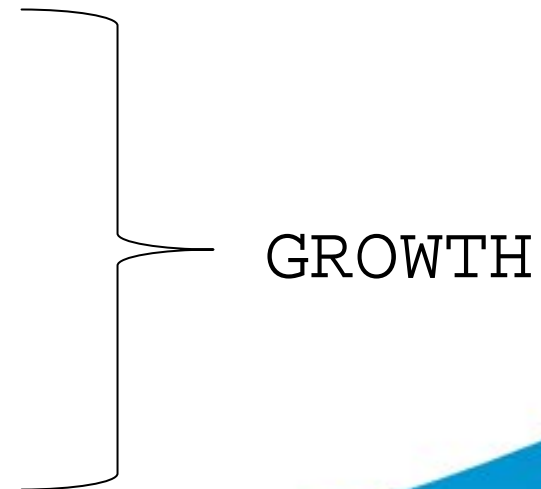




# Value: Key Metrics

- BUT need catalysts to unlock value!

- Finally attracts attention
- Takeover speculation
- Commodity rally
- Discovery
- News





# Patience



R.V. (Romarco Minerals Inc.) CDNX

Historic Chart for Cdn:R by Stockwatch.com 604.687.1500 - (c) 2009  
Wed May 6 2009 Op=0.56 Hi=0.57 Lo=0.56 Cl=0.57 Vol=63,500 Year hi=0.68 lo=0.09





# Other Factors: Risk (source Blackmont Capital)



## Operating Risk

Cash cost

# of mines

Mine life

Cost Volatility

## Financial Risk

Debt to WC

Debt to CF

Net WC to MC

## Development Risk

07-10 Growth

New Growth

Cost of Growth

## Commodity Risk

NAV Leverage

Non-gold 1 NAV

Hedge Risk

## Exploration Risk

Resource / Reserve

NAV Upside

Budget to MC

## Equity Risk

Avg. Liquidity

360 day Beta

Price to NAV

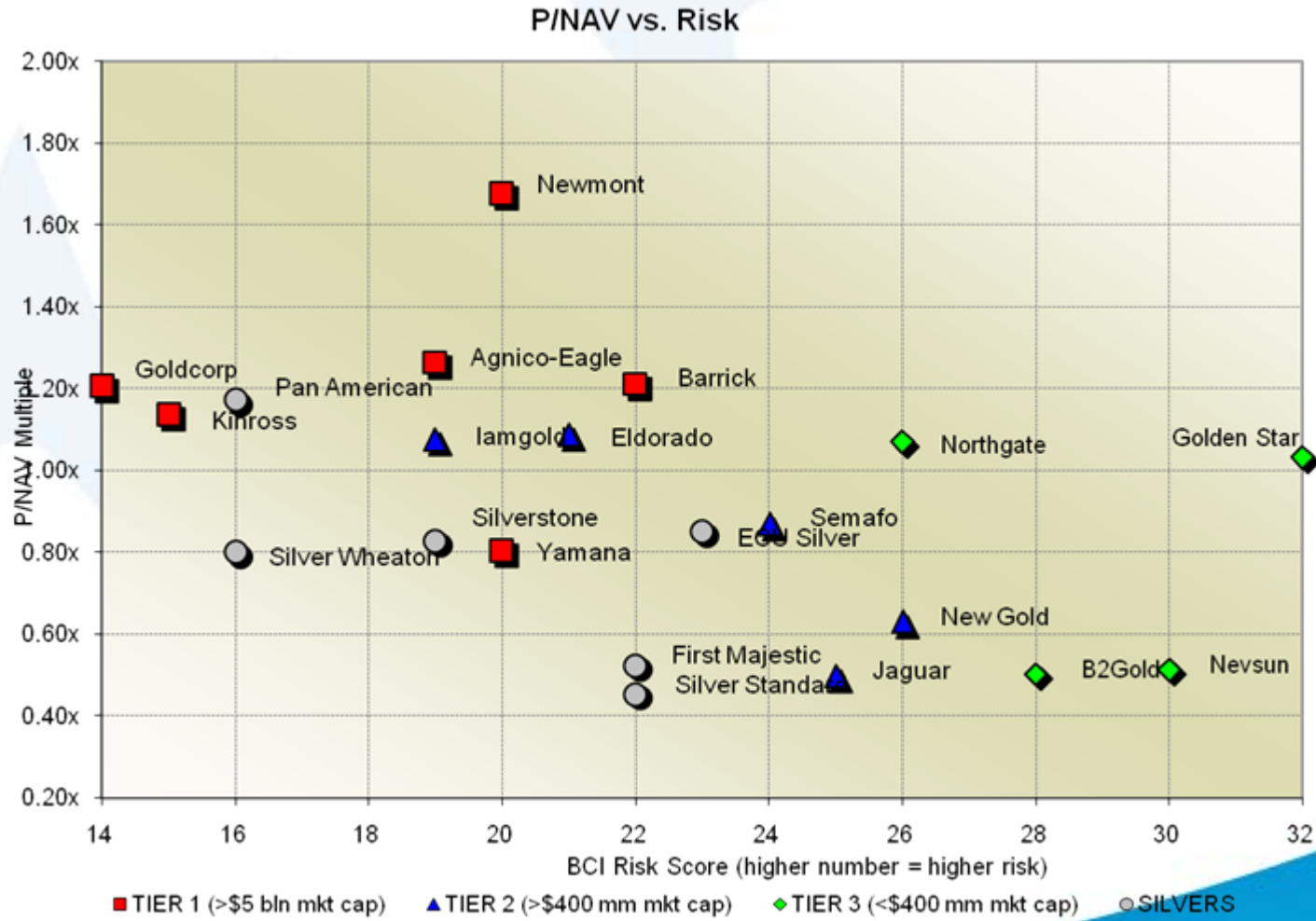
360 day Volatility

Value Traded

Political Risk



# Other Factors: Risk (source Blackmont Capital)



## Other Factors: Risk

- Basket of companies
- Different commodities
- Various market caps.
- High liquidity important

## Other Factors: Industry Future

- Economic disaster for 80% juniors?
- Consolidation
- Lack of people
- Lack of new projects
- Producers NEED feed
- Impact of Chinese?



# Conclusions

- Making money in junior mining is very difficult
- But sector can also be extremely rewarding
- Ensure that all necessary factors are in place
- **QVP**