

Victoria Gold looks Doomed to Fail

Victoria Gold (TSX: VGCX)

On the 24th June 2024 Victoria Gold announced a landslide at the heap leach pad at their Eagle Gold Mine in the Yukon territory of Canada.

What they really meant to say was that two million tons of the heap leach pad had cascaded down the mountain, and there was a concern about cyanide contamination of the local water supply.



The yellow shaded area shows where the incident occurred



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As soon as the extent of the disaster became apparent, I predicted this would cause Victoria Gold to fail as a company and go bankrupt. I still believe this will happen.

As more facts have become known, the good news is they appear to have contained the cyanide and prevented it from entering the local water supply. That is about the only good news, and there's plenty of bad.

Current position

- Mining has been suspended indefinitely, so no income, only expenses.
- Victoria Gold has \$250 million of debt, and the lenders have called a default.
- The First Nations are enraged.
- The Yukon government are very unhappy.
- Various whistleblowers have come forward publicly. (See links below).
- The damage to the leach pad is still being examined, no remediation work has been started, and it's very doubtful the mine will operate again, in my opinion.
- The First Nation does not want new mineral claims, licenses, exploration, development authorizations, or ongoing mining activities on their traditional territory following the heap leach failure.
- The Yukon government are considering taking an active role, as the company struggles to contain and treat the large amount of contaminated water.
- It has been suggested the Yukon government doubt the company has the resources nor the ability to rectify the damage.

The company has admitted it may never mine again, and they lack the resources to remediate the damage.

I predict Victoria Gold will cease trading soon and go out of business in short order.

An article from the Northern Miner newspaper from a

whistleblower who was working on the leach pad at the time it collapsed, and who accuses the company of “unsafe practices” [can be found here](#).

An article from Mining.com alleging lax security arrangements on site [can be found here](#).

An update from the Yukon Government issued on the 26th July [can be found here](#).

Comment

I cannot believe that people are still trading this company, and that it's being allowed to continue trading when the disaster looks so bad, and the future so grim.

I can understand anyone selling the stock for whatever they can get in a damage limitation exercise, but who on earth is buying this stock given the current position, and why?

Anyone still holding is either very foolish or very brave, with my opinion being the former.

This case highlights the dangers of investing in mining stocks perfectly, the share price has fallen from C\$8.50 to around 60 cents in very short order, and a massive amount of shareholder value tumbled down the mountain on June 24th.

Commissions to any holders reading this.

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As an aside, one other company exploring in the Yukon, yet to go into production, **Banyan Gold**, (which is run by the partner of the Victoria Gold CEO), may have difficulties in moving

forwards now as these two properties are relatively close to each other, and Victoria was seen as a potential buyout partner at some point.

After this disaster, getting First Nation approval for another mine in the Yukon will be challenging for some time in my opinion. Time heals of course, and assurances can be given, but It's hard to see them approving any new mines for quite some after this.

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Disclosure

At the time of writing the author holds no shares in Victoria Gold.

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