Q&A

McEwen out for golden growth

Canada hall-of-famer on gold drivers and timing it right

Having transformed Goldcorp (CN:G) from a holding company into one of the biggest gold producers in the world, in the process launching the sector's first open innovation challenge to reinvigorate the historic Red Lake camp in Ontario, Rob McEwen now finds himself trying to repeat that success as chairman and chief owner of McEwen Mining (US:MUX).

With US$127 million of his own money in the venture, he has sights on getting the precious metals company into the S&P 500 index through growth of its two operating assets – El Gallo in Mexico and San Jose in Argentina (49% owned) – and developing new mines in the Americas.

Fresh off the back of a production guidance beat in 2016, a doubling of liquidity and confirmation he will be inducted into Canada's Mining's Hall of Fame, McEwen sat down with *Mining Journal* in London to reflect.



A good listener: After 27 years in the mining industry, Rob McEwen is still willing to hear an exploration story

Mining Journal: Are you happy with the way 2016 turned out?

Rob McEwen: It was a good year. We lost some of the enthusiasm at the end of the summer, but investors seemed excited about gold, capital markets opened up and people were getting back to exploration. We also saw an end to a lot of the cutting that was taking place – curtailed exploration programmes, development plans, staff layoffs, etc.

MJ: The mine plan at El Gallo last year involved accessing lower-grade ore. Is it likely to be more of the same in 2017?

RM: The grade will be similar to what we had last year. The grade was special back in 2015. We had been working for three years to get to a high-grade zone in the pit and experienced 4g/t Au material for a good part of that year. Unfortunately, we didn't have more of that material.

MJ: What can we expect on the exploration front this year?

RM: We're going to be spending about $9 million on Loz Azules in Argentina – probably $4-5 million of that will be on exploration. Los Azules consists of three discrete pods in a trend and we're carrying out infill drilling to see if we can link all three. In addition, we're testing for extensions at the north end of the property where the highest-grade material exists.

At the same time, we're looking at the placement of potential facilities on the property and have Hatch Engineering working on a quasi-preliminary economic assessment. With the removal of the export taxes on mining products in Argentina, we've moved our contemplated process from pressure oxidation to produce a cathode, to producing a concentrate. This will have a big impact on lowering the capital expenditure. We will have a summary of that study out shortly.

We're also looking at the logistics of how and where to transport concentrate, in addition to where we could source power from. We want to move it towards a prefeasibility study in the next two years.

At Gold Bar (Nevada), we're expecting to get a permit in the [September] quarter. After that, we will resume exploration there. We also have a couple of early-stage projects in Nevada – one which we acquired right next to Gold Bar – which we're exploring on.

MJ: What would you say is driving gold at the moment?

RM: A sudden realisation that the US election is over. That was dominating the market's view of everything – nobody was really paying attention to the debt that is out there and money supply.

Now that we have a new president in the US, they are starting to listen to what he is saying. He wants to rebuild the infrastructure, which is a big capital cost. What is that going to mean? Well, probably the government is going to take on more debt. They want to get the economy going, so they will probably be printing more money. That is happening all around the world, not just in America. Most of the world wants to get consumers spending.

If America is going to be great – meaning they source internally, rather than externally – the cost of goods is likely to go up. The job market is already quite tight in the US, so hiring people to build infrastructure and removing illegal immigrants means there should be some price increases going on, with labour costing more. Everything that they buy initially, at least, is going to be more expensive.

There is also a few geopolitical things going on around the world, which were all forgotten about during the election. We have been watching gold move in a positive way, although oscillating all the time, but it is trending higher and people are coming back and saying 'I need some hard assets'.

MJ: As the inventor of the original 'Goldcorp Challenge', are you surprised the industry took so long to start running more of these competitions?

RM: No. When we launched the Goldcorp Challenge in 2000 it was close to the bottom of the gold market – a 20-year low. Metal prices were on their knees across the spectrum. As a result, there was a lot of partially employed intellectual capital, which was available to look at the contest. A couple of years later, that intellectual capital was no longer available.

BHP Billiton (AU:BHP) tried to launch one about two years later and their timing was off. Barrick Gold (US:ABX) also tried a silver-style of challenge, but I don't think they found what they were looking for.

Then, Integra came along and asked me about the challenge. Suddenly there were all sorts of suppliers, brokers, lawyers and consulting companies that wanted to support Integra and the contest. It also happened when the gold and metal markets were, again, back down on their knees.

Integra has another one coming up at PDAC with Goldcorp looking for innovation in mining. It is not a problem statement of a mine, or resource, it is about looking if there is technology that can make mining more profitable.

MJ: You recently invested in White Gold Corp. What was the reason behind that?

RM: I met Shawn [Ryan, White Gold's chief technical adviser and board member] several years ago and was very impressed by his ability to find solutions to obstacles around him and get work done quickly. He has had a couple of good finds up there in the Yukon and I thought this is a good guy to put money with. He also has a large number of people to call on as prospectors and had recorded some very intriguing results, so all of that contributed. I like exploration stories and the Yukon is heating up. ■