



1 Small-Cap Gold Miner to Own in 2019

Description

Gold has firmed in recent days as fears of a global economic slowdown mount. This now sees the yellow metal trading at over US\$1,246 per ounce, and there are signs that it could [surge higher](#) in coming weeks. That is a boon for gold miners, which have had to weather weaker prices since the start of 2018. One small-cap miner that [stands out](#) is **McEwen Mining** ([TSX:MUX](#))([NYSE:MUX](#)), where legendary industry figure Rob McEwen is the chairman and the single largest owner, holding 24% of the company's stock.

Quality assets and growing production

McEwen Mining owns three producing mines and two development projects as well as two other exploration assets. The company has reserves of 751,000 gold ounces and just over 10 million ounces of silver. While it reported a loss of US\$13 million for the third quarter, which was 64% greater, more than a year earlier, it did announce some solid operational results. Gold equivalent production soared by 51% year over year to 43,700 ounces, and it announced an across-the-board decrease in all-in sustaining costs (AISCs) at its operational mines.

There is every sign that McEwen Mining's production will continue to expand. It is currently constructing the Gold Bar mine in central Nevada, which is fully permitted and funded. On commencing production during the first quarter of 2019, the mine is expected to produce 55,000 gold ounces annually, which will give McEwen Mining's overall production, and hence earnings, a solid bump. Gold Bar is forecast to have AISCs of US\$843 per gold ounce produced, which, in an operating environment where the yellow metal is trading at over US\$1,240 per ounce, underscores the mine's considerable profitability.

McEwen Mining also owns the Fenix development project in Mexico, which should receive its permits during early 2019. There is the Los Azules copper project in Argentina, which the miner is currently evaluating and has been determined to have indicated resources of 10 billion tonnes of copper, 1.7 million gold ounces, and 56 million of silver. Those considerable resources highlight the tremendous potential held by the asset, which will, however, require considerable capital to develop.

As a result, McEwen Mining is considering its options to develop the project with the most likely route being via a joint venture.

Robust balance sheet and high degree of insider ownership

The miner also finished the third quarter with a solid balance sheet, holding US\$20 million in cash and total debt of US\$50 million, which, because of McEwen Mining's growing income, is manageable.

An important aspect of McEwen Mining is that a considerable portion of its share float is owned by insiders with Executive Chairman Rob McEwen owning 24% of the company. A recent report from the Shareholders Gold Council found that those miners where senior management had a greater degree of ownership have performed significantly better than those that don't.

Why buy McEwen Mining?

Since the start of 2018, McEwen Mining has lost almost 12%, or roughly double the 6% decline in the price of gold. This has created an opportunity for investors to bolster their exposure to gold by buying a very attractively priced miner that possesses considerable growth prospects and potential upside.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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