

Interview: Rob McEwen responds to criticism of US\$90M at-the-market offering

On Nov. 8, **McEwen Mining** (TSX: MUX; NYSE: MUX) entered into an equity distribution agreement with UBS Securities, BMO Capital Markets, Cantor Fitzgerald & Co., H.C. Wainwright & Co., Roth Capital Partners and Alliance Global Partners to offer up to US\$90 million of its common stock in the United States. Under the terms of the “at-the-market offering” filed with the United Securities Exchange Commission, the agents can sell stock in McEwen Mining at the current market price on the New York Stock Exchange and receive a commission of 2% of the gross sales price per share of the company’s common stock they sell. ATMs have become a popular method of financing for companies in the U.S., allowing them to raise equity capital over time by selling new shares into the trading market at prevailing prices rather than through traditional underwritten offerings of a fixed number of shares at a fixed price all at once. They are generally less expensive and less complicated to execute. Most companies disclose ATMs when they provide regular financial updates such as during quarterly conference calls. The Northern Miner spoke with McEwen Mining founder Rob McEwen about the offering.

The Northern Miner: *What was the rationale behind the offering and the timing?*

Rob McEwen: It’s an instrument called an At-the-Market financing. They’re fairly common in the United States and are gaining some popularity here. It’s a cheaper way of raising money. The investment bankers’ fees are about half or less. They say that they don’t have to do as much work, they basically sell shares into the market over an extended period of time.

TNM: *How does it work?*

RM: You do a registration with the SEC and, similar to shelf filings, the registration is for potential sales, meaning the sales under this instrument can be done at our discretion and timing. This financing is not done right away. This instrument allows us to raise up to US\$90 million over a period of time. The shares will be sold into the market at the market price. So, you don’t have the traditional discount that occurs when you do a financing like a marketed deal or a bought deal. Investment banking fees are usually half or less. Also, this type of financing is usually less disruptive to your share price. Furthermore, the advice we received from our financial advisors was that the majority of companies that use this form of financing make the mandatory public filings but do not make or issue a press release relating to the financing. So, we followed what was standard practice. We registered the financing in order to have flexibility. Not only are we building our Gold Bar mine but we wanted to have funds for exploration targets on our other properties and to also have the capacity to take advantage of attractive growth opportunities.

TNM: *What is the period of time specified for issuing these additional shares?*

RM: There is no defined period and it can effectively be evergreen, but, again, this is at our discretion and we can cancel it at any time. Or we can raise the full amount and satisfy the registration limit. But it wouldn’t be raised all at once.

TNM: *In the filing to the SEC on SEDAR, it says the net proceeds will be used by McEwen Mining for working capital and for general corporate purposes and some of it might be used to invest in short-term, investment grade, interest-bearing investments and U.S. government*

securities. Can you elaborate?

RM: I believe the time to look for and acquire growth opportunities is right now. The financing is all about being prepared and able to react when we see a value-adding transaction. It could be a joint venture or an M&A transaction.

TNM: *Could you be more specific?*

RM: [Laughs] No comment!

TNM: *There has been some criticism of the company for not issuing a press release.*

RM: The advice we got from the investment bankers is you don't need a press release. Very few companies that use these type of financing, which must be publicly filed on SEDAR, make a press release. Once filed on SEDAR, it is considered publicly disclosed. Filings on SEDAR trigger notice on watch-lists monitored by many investors. I was surprised and saddened by the reaction. In hindsight, a press release setting out why we were registering this financing and how the financing worked would have been a good idea.

TNM: *If you did another one would you press release?*

RM: Absolutely, given the adverse reaction we experienced.

TNM: *How are other things going at McEwen Mining?*

RM: Construction of our Gold Bar mine is advancing, and we expect it to be up and running by year-end, and declaring commercial production in the first quarter. The tricky part about building a mine is making it work the way you said it was going to work, so we are very anxious until it's doing just that: Delivering the promise. I am pleased to say that Gold Bar is on schedule and on budget.

We're just completing our exploration program at Black Fox. We spent about \$15 million on our property in Timmins. We'll soon be releasing resource updates in December and in the first quarter of 2019 for Black Fox and Gold Bar, and in the first half hope to have an amended permit to construct our Fenix project in Mexico. We are focused on extending the lives of our mines, reducing our operating cost per ounce and building our production base.