

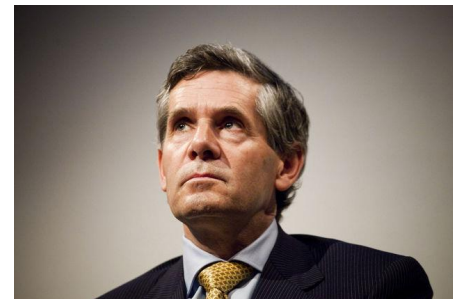
# Materials

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November 20, 2014

## McEwen Mining (TSX:MUX)

*Joseph Kaprielian, Senior Analyst  
Alexandre Veronneau, Junior Analyst*



# Industry Review

## Desautels Capital Management

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# Industry Review

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*Gold Bar Development Project, Nevada, United States*

McEwen Mining

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## Company Analysis



# Company Overview



## Company Description

- “ **Gold, Silver and Copper exploration and production company with operations in the Americas**
- “ Primary asset are the San José Mine and the El Gallo Complex in Mexico, Other operations in Nevada, Mexico and Argentina
- “ They are the only fully permitted silver mine in Mexico
- “ In 2012, merged **US Gold** and **Minera Andes** to form McEwen Mining

## Experienced Management

- “ **CEO, Director and Chief Owner: Robert McEwen**
  - . Founder, former chairman & CEO of Goldcorp
  - . Owns **25.5% of the company**
  - . 29 years of experience in the mining industry over which, he won 17 various awards
- “ **M.D.: Nathan Stubina**, 30 years of experience, Barrick Gold
- “ **CFO: Perry Y. Ing**, experience with Goldcorp and Barrick Gold
- “ **COO: William Faust**, 30 years of experience in mining in Mexico

## Financial Summary <sup>(1)</sup>

<b>Share Price</b>	<b>\$1.31</b>
Dividend per share	0
Dividend yield	0%
52 week high	\$3.66
52 week low	\$1.16
<b>Share outstanding (mm)</b>	<b>270</b>
Market cap (mm)	\$351
Cash (mm)	\$16
Total Debt (mm)	\$0
<b>Enterprise Value (mm)</b>	<b>\$335</b>

## Stock Price Performance



<sup>(1)</sup> All data in the financial summary are in USD

# Investment Thesis



## Strong Performer

- “ Aggregate production could eventually top 300kozs under the leadership of Mr. McEwen who has consistently followed through on his promises
- “ CEO has set a clear development plan for most of the company’s assets
- “ Ability to decrease future AISC will help improve margins

## Value locked in ground

- “ El Gallo complex has a lot of value locked in the ground
  - . Has all necessary construction permits in place
  - . Has the ability to raise debt if necessary to obtain financing build a mil
- “ Exceptional quality of assets: high grade which will allow McEwen to process less ore than peers
- “ Exploration territories have shown strong drilling results

## Potential acquisition target

- “ High grade assets located near Senior gold producers who are looking to acquire long-term developing and exploration mines
- “ Existing fleet located near previously proven territories

# Robert McEwen Chairman and CEO



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## Background

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### Biography

- “ 64 years old, born April 15, 1950
- “ Canadian businessman, followed his father into the investment industry and developed a passion for gold
- “ Main investment style: regroup and transform a collection of small companies to turn them into a bigger one
- “ Strong belief in the importance of personal investment in companies he manages
- “ No salaries from either of his current investments
- “ Current investments: McEwen Mining and Lexam VG Gold

### Famous for saying that gold prices will rise to \$5000 over the next 4 years

- “ Views gold as a currency like the CAD, USD or Euro
- “ Believes the western world is debasing its currency at a frantic pace and that gold will get hotter in the near to medium term
- “ Suggests looking at gold as a mean of insurance - According to him, the percentage of gold should depend on the individual's outlook
- “ Personally he is 80% invested in gold and gold stocks

### From Investment Banking to Goldcorp

- “ Started his career as an investment banker
- “ 1993: Began restructuring Goldcorp whose market cap went from \$50 million to \$15 billion, in 12 years
- “ Led merger with Wheaton River in 2005, stepped down as CEO
- “ Later left the Board of Director of Goldcorp over a disagreement about the takeover of Glamis Gold

# McEwen Mining

## The Story



### From US Gold to McEwen Mining

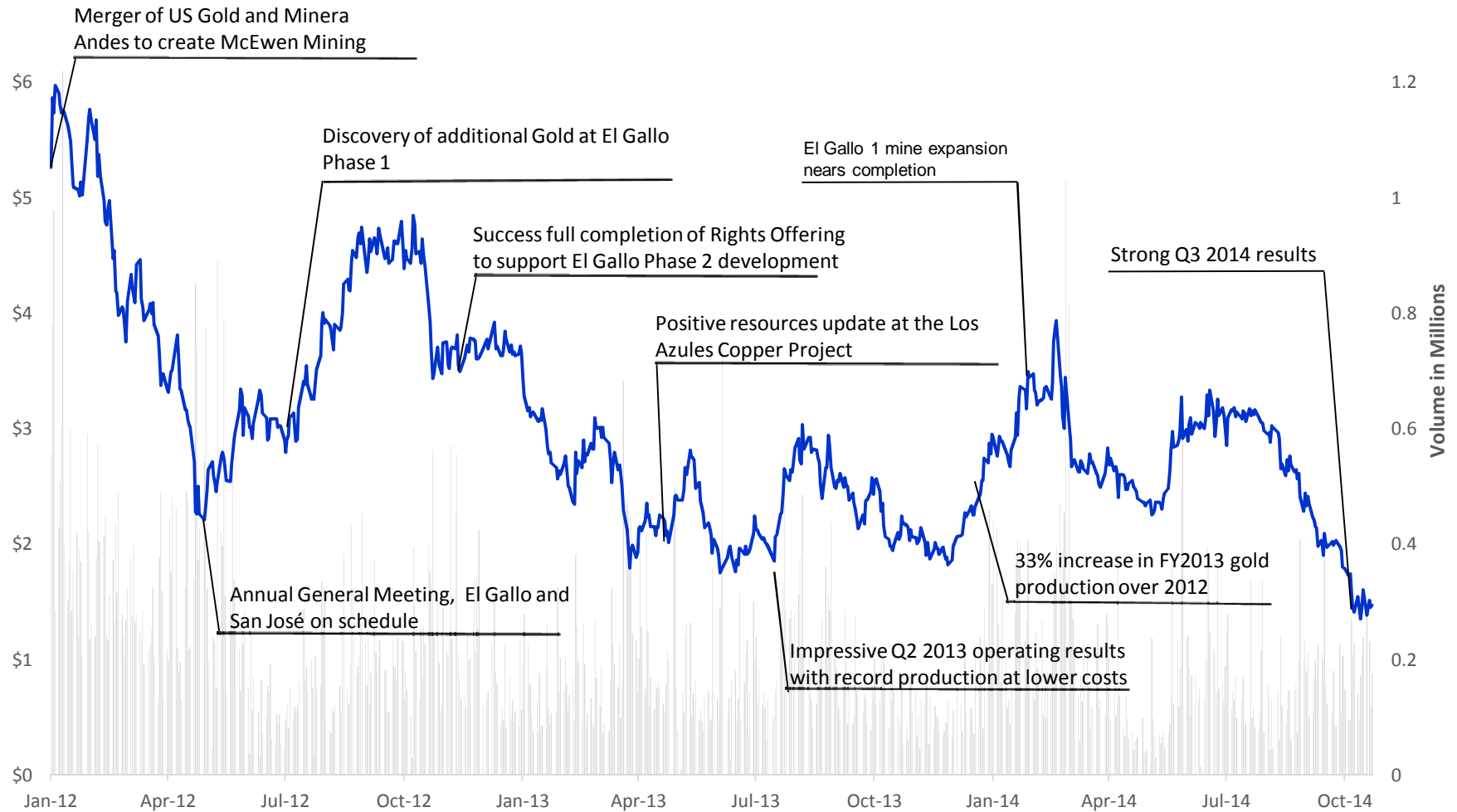


Source: Company website.



# Annotated Price Graph

## Since Inception of McEwen Mining



Source: Bloomberg data as at 16/11/2014..

McEwen Mining

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## Assets Overview



## Assets Geographical Locations



McEwen owns assets in proven areas with close proximity to Tier I gold producers

Source: Company website.

# San José Mine - Argentina

## Operating



**Ownership:** 49%

**Mine type:** Underground Operation

**Location:** Santa Cruz Province, Argentina, 20km North of Goldcorp's Cerro Negro project

**Life of Mine:**

" 12 years remaining

**Production (100%):**

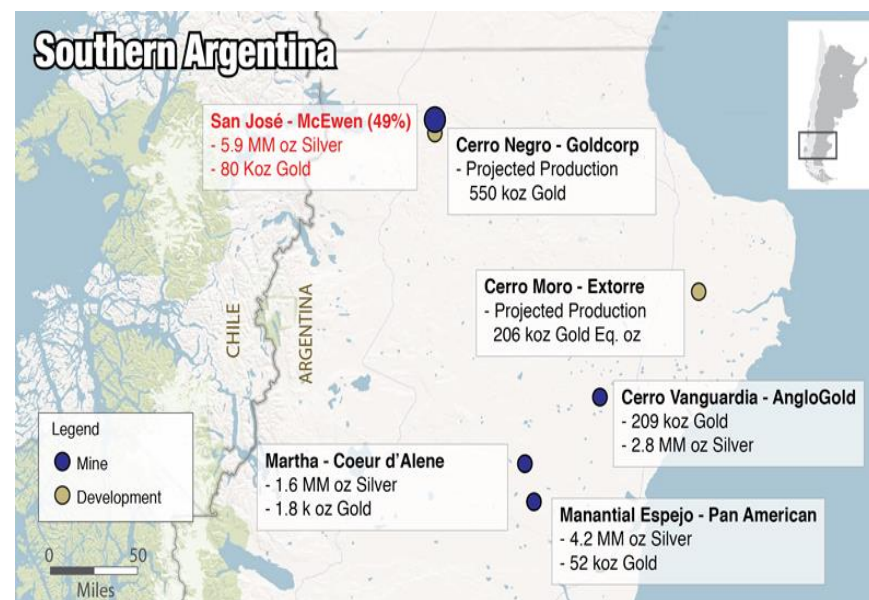
" Mill Production capacity: 1,650 tpd

" Total Mine production: 1,813 kt ore at 7.03 g/t Au and 515 g/t Ag

**Cash Costs (per gold equivalent ounce):**

" Total Cash Costs (2014): \$825/oz

" All-in Sustaining Cash Costs (2014): \$1,125/oz



TOTAL SAN JOSÉ MINERAL RESOURCES (100%)					
	Tonnes (M)	Ag g/t	Au g/t	Ag Moz	Au Moz
<b>Measured</b>	1.52	640	8.85	31.4	0.43
<b>Indicated</b>	2.87	448	6.71	41.4	0.62
<b>Measured + indicated</b>	4.40	515	7.45	72.8	1.05
<b>Inferred</b>	1.85	455	7.23	27.1	0.43

TOTAL SAN JOSÉ MINERAL RESERVES (100%)					
	Tonnes (M)	Ag g/t	Au g/t	Ag Moz	Au koz
<b>Proven</b>	0.95	597	7.82	18.24	0.24
<b>Probable</b>	0.86	426	6.15	11.81	0.17
<b>Proven &amp; Probable</b>	1.81	515	7.03	30.05	0.41

One of the lower-cost operations for its level of production which consistently increases YoY

Source: Company investor presentation, October 2014.

# El Gallo I & II – Mexico

## Operating



**Ownership:** 100%

**Mine type:** Open Pit

**Location:** Sinaloa State, Mexico, 160km South of Goldcorp's El Sauzal

### El Gallo I

#### Production & Cash Costs:

- Expansion which will increase capacity from 3,000 to 4,500 tpd
- Forecasted to produce 37,500 Au Eq Oz in 2014
- Cash costs and AISC expected to fall from \$775 to \$575 and \$1,100 to \$850 in 2015 respectively

### El Gallo II

#### Production & Cash Costs:

- Projected to produce 5.2 Moz or silver and 6,100 Au oz → 2017
- Cash costs and AISC estimated at around \$750 and \$800 Au Eq oz
- Deferred construction of mine due to low silver prices



TOTAL EL GALLO I MINERAL RESOURCES					
	Tonnes (M)	Ag g/t	Au g/t	Ag Moz	Au Moz
<b>Measured</b>	10.2	1.62			0.53
<b>Indicated</b>	3.7	1.33			0.16
<b>Measured + indicated</b>	13.9	1.54			0.69
<b>Inferred</b>	0.4	0.85			0.01

TOTAL EL GALLO II MINERAL RESOURCES					
	Tonnes (M)	Ag g/t	Au g/t	Ag Moz	Au Moz
<b>Measured</b>	25.0	66.90	0.10	53.78	0.08
<b>Indicated</b>	9.3	33.92	0.41	10.10	0.12
<b>Measured + indicated</b>	34.3	57.99	0.18	63.88	0.20
<b>Inferred</b>	8.5	52.72	0.24	14.48	0.07

Although fully permitted, the company is delaying the construction of El Gallo II for higher silver prices

Source: Company investor presentation, October 2014.

# Gold Bar – Nevada, USA

## Development Stage



**Ownership:** 100%

**Mine type:** Open Pit

**Location:** Eureka County, Central Nevada, approximately 25 miles to the Northwest of Barrick's Ruby Hill Mine and 35 miles to the southeast of Barrick's Cortez Mine. Those mines have AISC of \$877/oz and \$433/oz respectively

**Estimated Life of Mine:** 8 years

**Current status:**

- " Currently In the permitting phase
- " Final permit approval is scheduled for H1 2016
- " Pre-feasibility study completed and published in 2011

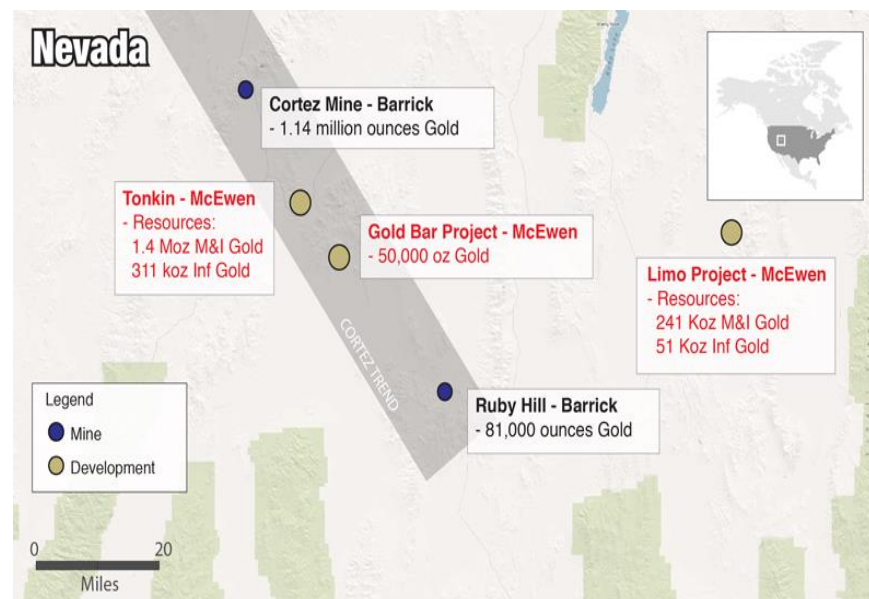
**Production:**

- " Forecasted production of 50,000 oz of gold per annum
- " Total of 397,000 ounces over mine life

**Life-of-Mine Capex:** Initial \$53.1M and sustaining \$39.1M for a total LOM capex of \$92.2M

**Estimated Cash Costs (AuEq):**

- " Cash costs: \$700/oz
- " All-in Sustaining Cash Costs: \$850/oz



TOTAL GOLD BAR MINERAL RESOURCES					
	Tonnes (M)	Ag g/t	Au g/t	Ag Moz	Au Moz
<b>Measured</b>	0.7	1.19			0.03
<b>Indicated</b>	18.8	0.94			0.57

Impressive low cost project which will fill the pipeline for McEwen

Source: Company investor presentation, October 2014.

# Tonkin – Nevada, USA

## Development Stage

**Ownership:** 100%

**Mine type:** Open Pit

**Location:** Eureka County, Central Nevada, approximately 8 miles south of Barrick Gold's Cortez Mine which produced 1.2M oz of gold in 2011

### Important Characteristics:

- " Historical production from 1985 to 1989
- " Significant resources both Measured and Indicated
- " Complex Metallurgy which increases extraction costs
- " Neighbours the world's largest primary gold mine (Barrick's)
- " Recent discoveries by Barrick Gold at Red Hill show that there remains excellent potential for big discoveries in the area

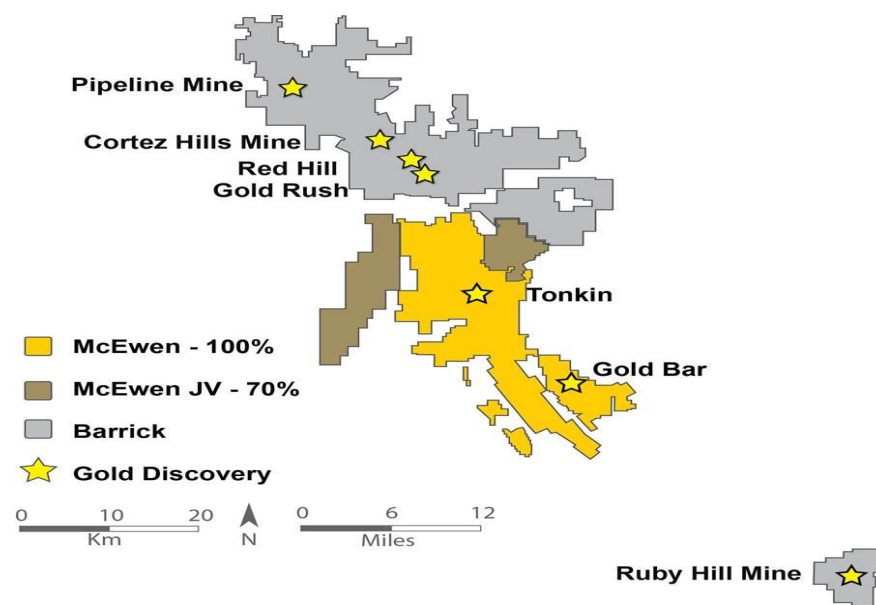
**Estimated Life of Mine:** Undisclosed

### Current status:

- " Mine is currently closed due to cost escalation and recovery issues associated with the extraction of gold
- " Management is working on finding solutions to lower costs and improve recovery

### Production:

- " From 1985 to 1989, Tonkin produced 30,000 oz of gold



TOTAL TONKIN MINERAL RESOURCES					
	<u>Tonnes (M)</u>	<u>Ag g/t</u>	<u>Au g/t</u>	<u>Ag Moz</u>	<u>Au Moz</u>
<i>Measured</i>	17.5		1.44		0.82
<i>Indicated</i>	14.7		1.34		0.62
<i>Measured + indicated</i>	32.2		1.39		1.45
<i>Inferred</i>	8.4		1.13		0.31

Preliminary economic assessment will be conducted if a viable solution is found to extract the gold

Source: Company investor presentation, October 2014.



# Los Azules - Argentina

## Exploration Stage



**Ownership:** 100%

**Mine type:** Open Pit

**Location:** San Juan Province, Argentina, near the Chilean border and approximately 100 miles south of Barrick's Veladero project

**Estimated Life of Mine:** 35 years

**Recent news:**

- " The company recorded an impairment charge of \$120M on Los Azules after the acquisition of Lumina Copper Corp by First Quantum Minerals for \$430M which has strong similarities with Los Azules

**Production:**

- " Annual copper production of 255,000 tonnes (year 1-5) placing the mine in the top 3% of the worlds copper mine
- " LOM annual production average 171,000 tonnes of Cu

**Capex:**

- " LOM annual production Initial capex of \$3,9B to construct the mine and a 120,000tpd process plant plus \$1,47B LOM sustaining capex over 35 years (approximatively 42M/year)

**Estimated Cash Costs:**

- " Cu Cash operating costs: \$0.87/lb (year 1-5)
- " Cu Cash operating costs: \$1.08/lb over LOM

**After tax NPV:** \$1.68 Billion (\$3.00/lb Cu, 8% discount rate)



	TOTAL LOS AZULES MINERAL RESOURCES						
	Tonnes (M)	Cu Grade (%)	Ag g/t	Au g/t	Cu (B lbs)	Ag Moz	Au Moz
<b>Measured</b>	389	0.63	0.07	1.8	5.4	22.9	0.84
<b>Indicated</b>	1,397	0.46	0.06	1.9	14.3	85.8	2.58

The project has the potential to become one of the largest and lowest cost copper mines in the world

Source: Company investor presentation, October 2014.



# Cost Profile

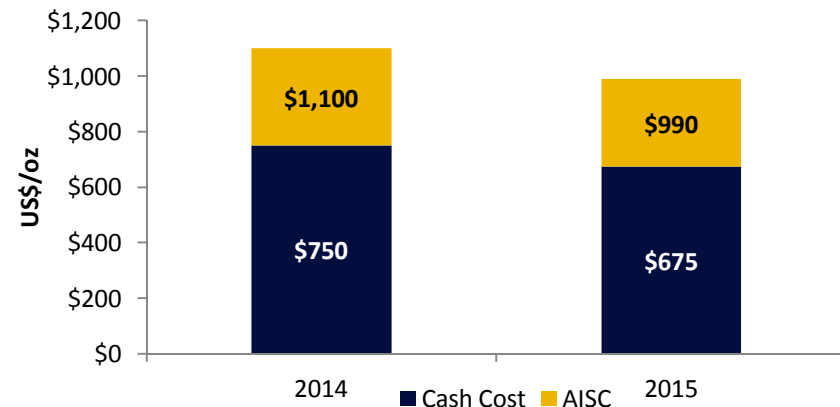
## Low Cost Operator



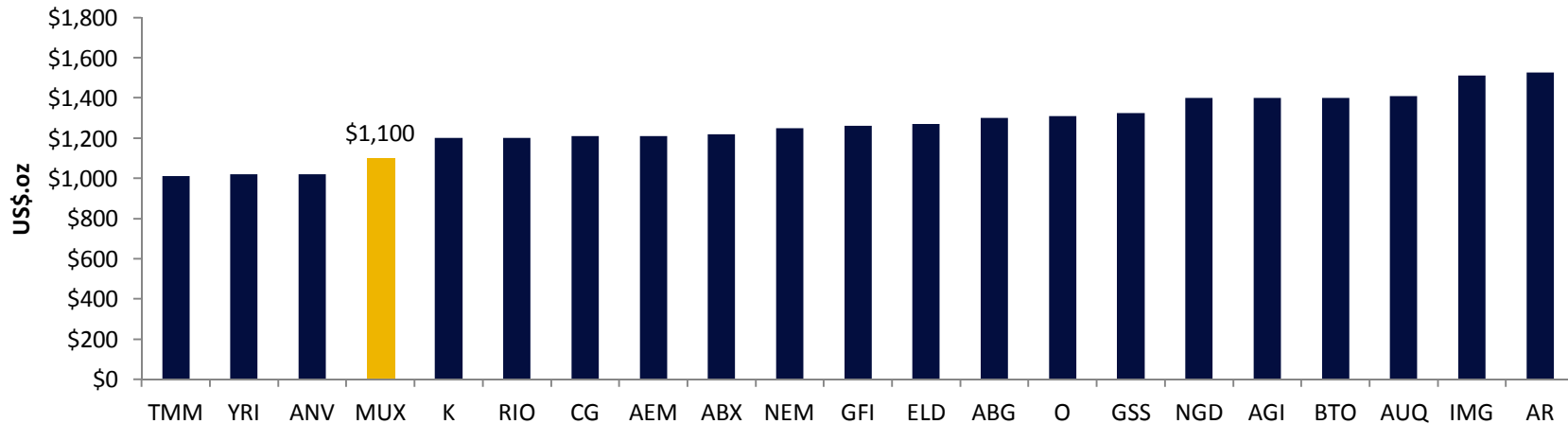
### Costs

- Management repeatedly mentioned its intention to reduce costs internally
- On a cash cost basis:
  - AISC forecasted to decreased by 10% in 2015
  - Cash costs forecasted to decrease by 10% in 2015
- McEwen is at the low end of pears for expected 2014 all-in sustaining cash costs allowing the company to be competitive even in weak gold price environment

### Overall Cost Reduction



### 2014E All in Sustaining Cash Costs



Source: McEwen AGM Report.

# Production Profile

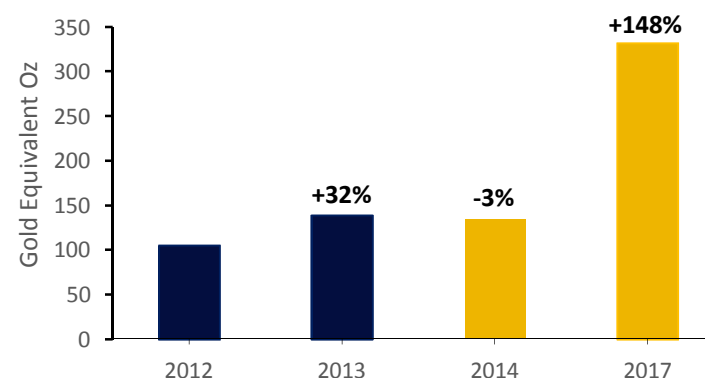
## More Gold In The Pipeline



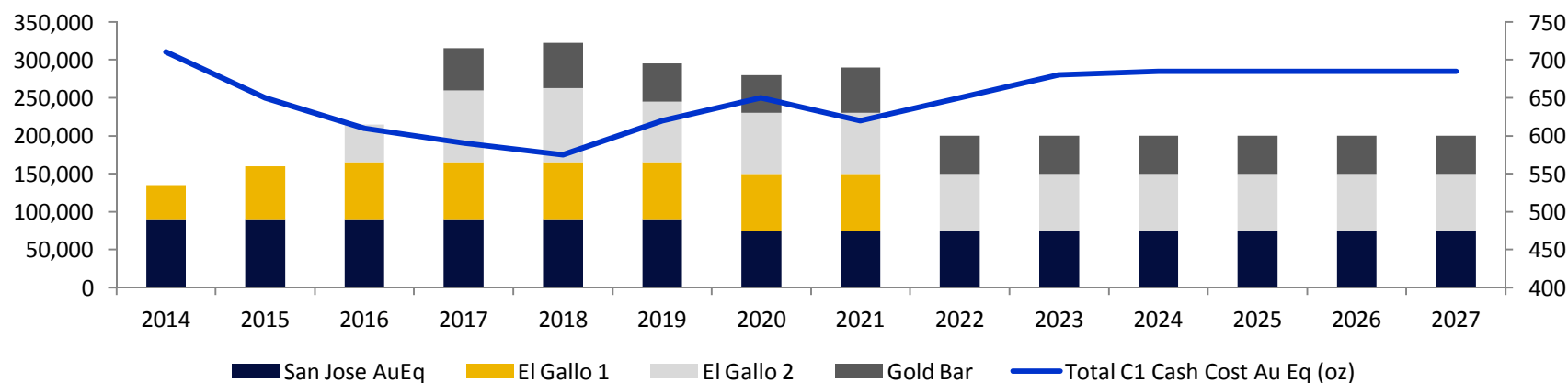
### Well Defined Growth Strategy

- Management provides clear mine development schedules for El Gallo II and Gold bar
  - El Gallo II expected to reach production in 2016
  - Gold Bar expected to reach production in 2017
- Impressive forecasted increase in total production in next 4 years only considering San José, El Gallo and Gold Bar
- Possibility that other projects' development schedules will be established in 2015 and 2016

### Total Production Forecast



### Consolidated Costs & Production Profile



Source: Cowen and Company Research.

## Peer Comparison

### Capex & Trading Liquidity



	 <b>McEWEN MINING</b> NYSE MUX TSX	 <b>TIMMINS</b> GOLD CORP	 <b>ARGONAUT GOLD</b>	 <b>PRIMERO</b>	 <b>ALAMOS GOLD INC.</b>	
Market Cap	<b>\$440</b>	\$183	\$315	\$660	\$965	
2014 Production (000 oz)	<b>134</b>	115	140	250	150	➤ Highest forecasted production growth amongst its peers
2017 Production (000 oz)	<b>332</b>	125	300	380	370	
3 Year Production Growth	<b>148%</b>	9%	114%	52%	147%	
2014-2017 Development Capex Requirements (\$M)	<b>\$205</b>	\$49	\$414	\$252	\$634	➤ Lowest relative Development Capex
Cash (\$M)	<b>\$17</b>	\$44	\$60	\$86	\$400	
Debt (\$M)	<b>\$0</b>	\$14	\$6	\$113	\$0	➤ Least covered company
Insider Ownership	<b>25%</b>	4%	3%	80%	60%	
1 Year Average Daily Value Traded (\$M)	<b>\$8.3</b>	\$1.8	\$7.5	\$7.5	\$15.0	➤ Highest Beta to Gold
# Analysts	<b>1</b>	14	10	16	18	
1 Year Beta to Gold	<b>3.3</b>	2.7	2.5	1.7	1.7	

McEwen Mining looks very attractive from a capex & liquidity stand point

Source: Bloomberg as of 15/11/2014.

# Gold M&A

Intermediate producers looking to grow



## Precedent Transactions

- Senior and intermediate gold companies looking to acquire good quality assets
  - . Asset proximity
  - . Low cash cost operations
  - . High grades

Announced Date	Target Name	Acquirer Name	Deal Value (\$mm)	Premium to 1-Month Avg	Premium to 1-day Avg	Deal Status
13-Oct-14			\$137.78	80%	55%	Pending
3-Jun-14			\$566.69	45%	39%	Completed
16-Apr-14			\$3,444.37	51%	39%	Completed
16-Dec-13			\$270.72	48%	45%	Completed

Junior and emerging gold companies with attractive assets are prime targets for acquisitions

Source: Bloomberg as of 15/11/2014.

## Section II

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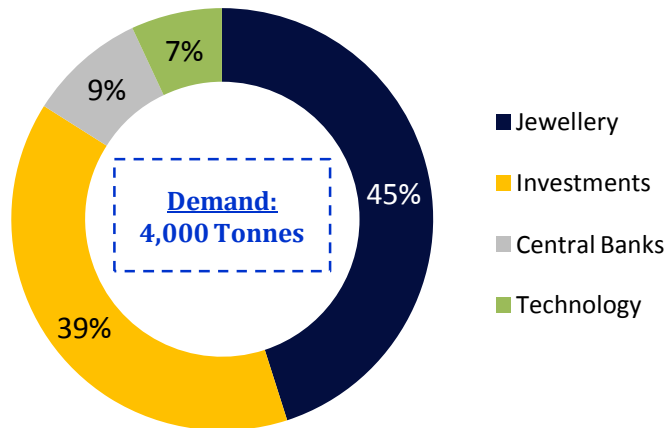
# Gold Outlook



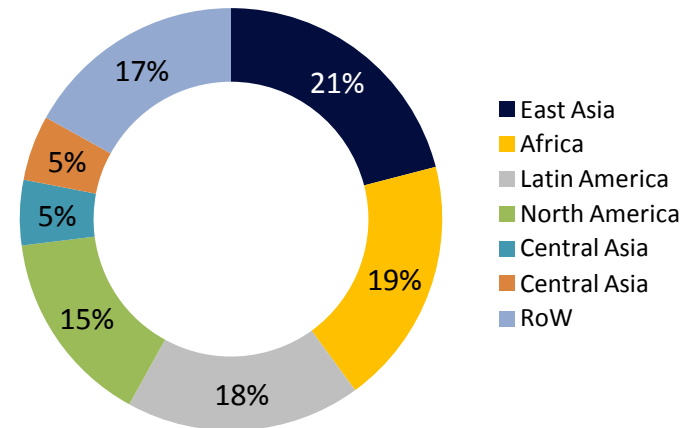
# Gold

## Global View

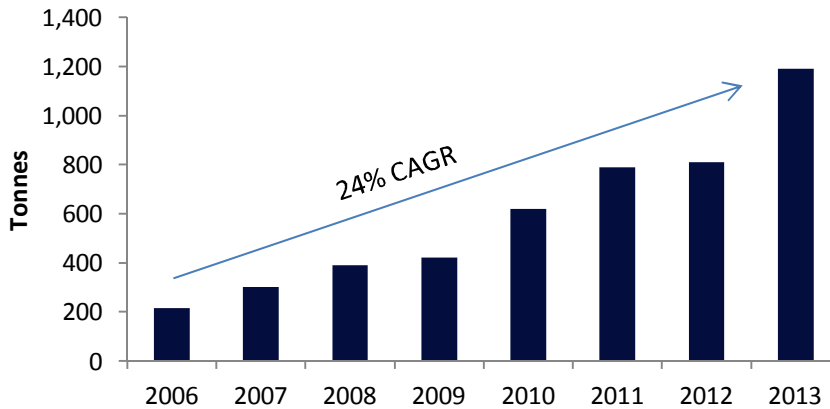
### Global Demand



### Global Supply



### Chinese Demand

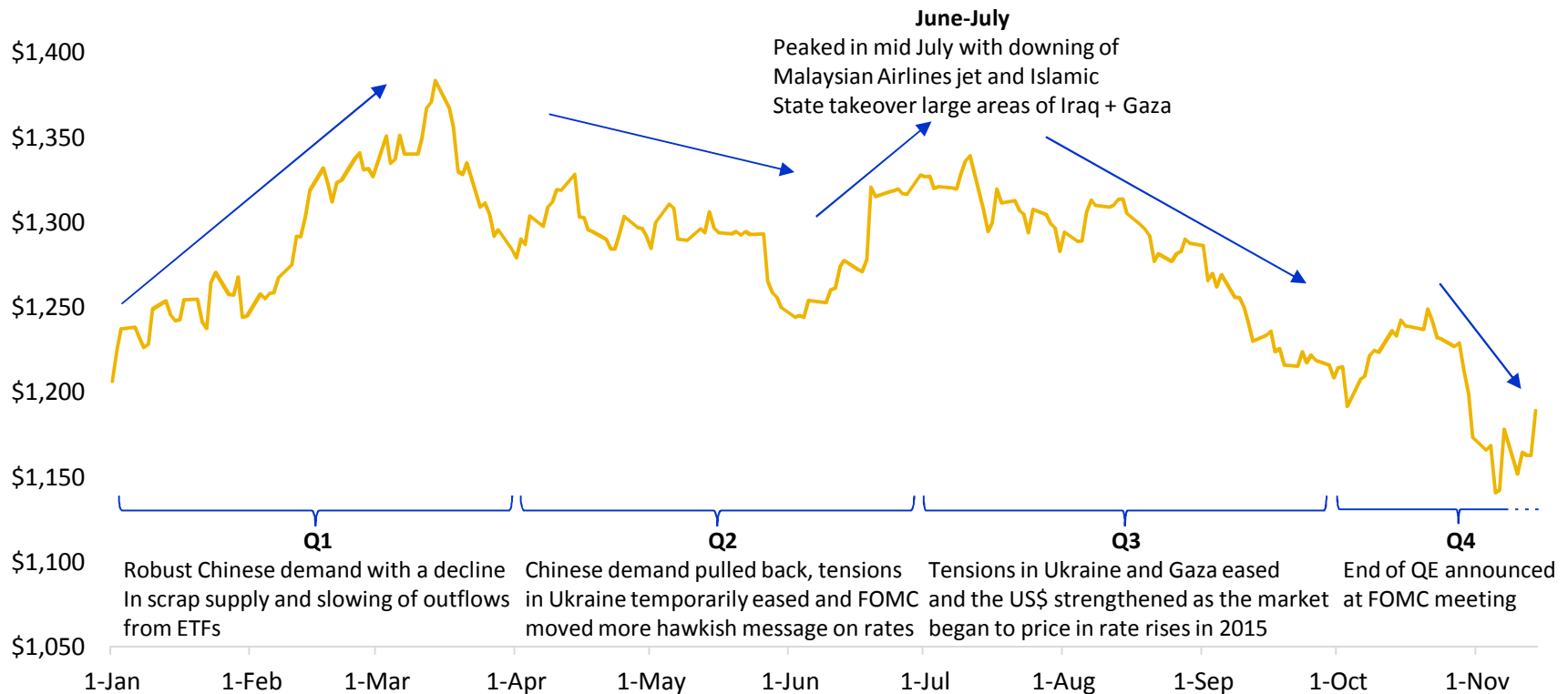


Source: World Gold Council.

- Adds \$210Billion to World GDP
- Fun Fact: At the end of 2013, there were 177,200 tonnes of stocks in existence above ground. If every single ounce were placed next to each other, the resulting cube of gold would only measure 21 metres in any direction

# Gold

## 2014 YTD Gold Price Chart



Second half of Q4 is expected to see another rally in gold prices

Source: Bloomberg as of 10/11/2014.

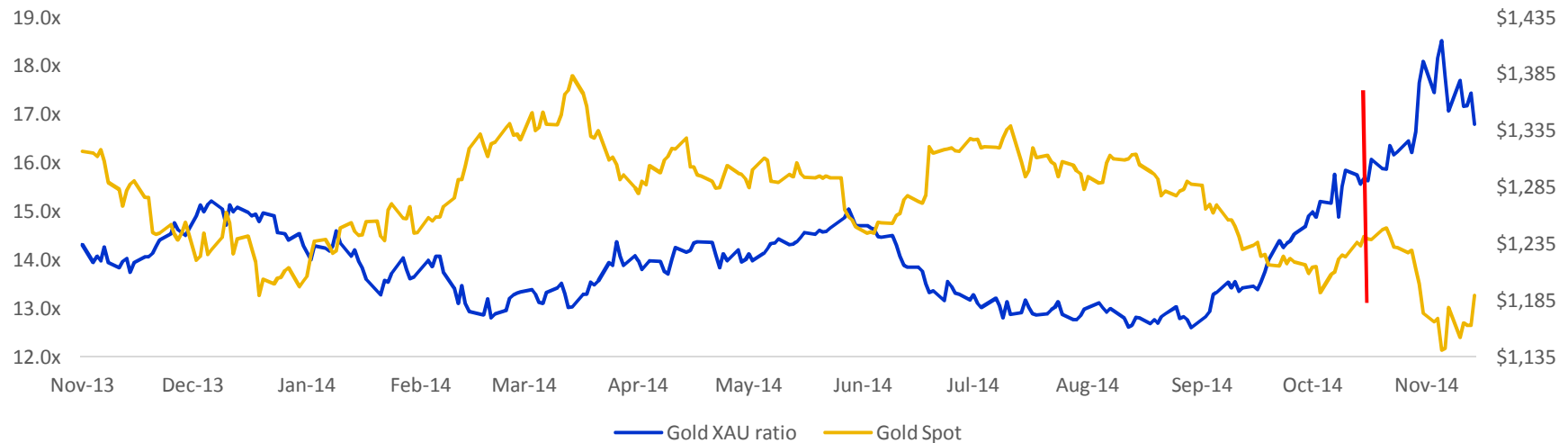
# Gold

## Fundamental demand remains supportive



### Short-Term Trends

- Swiss Gold Referendum Nov 30<sup>th</sup> could force SNB to buy gold equivalent to just over half to world's annual supply
- Indian demand to recover in the end of the year as restocking occurs post the wedding and festival season
- Chinese demand pickup ahead of the Chinese New Year festivities that begin in Feb 2015
- Unconventional monetary measures by ECB & heightened geopolitical risk



We believe that this is supportive of our view that we are approaching a point where investors should again look at buying back into gold equities

Source: Bloomberg as of 10/15/2014.



# Gold



## Risks

- Further “pricing-in” of expected rise in interest rates in mid-2015 and mid-2016
- Weak demand from emerging market economies and central banks
- If gold breaks the \$1,100 technical support level, there could be a round of gold ETF liquidation
- ECB doesn’t take demonstrable steps in injecting liquidity (LTRO)

## Catalysts

- Renewed buying interest into the wedding and festival season in India and ahead of Chinese New Year on Feb 19
- Swiss Gold Referendum Nov 30<sup>th</sup>
- Elevated level of geo-political risk:
  - Escalation of Islamic State in Iraq/Syria
  - Re-escalation of the Ukraine conflict with a full scale Russian invasion
  - Further deterioration of the situation in Libya (conflict between Dawn vs. Zintan)
- Inflation rising in emerging countries → weaker currencies

Under a downside risk scenario, there is a 20% probability that gold could trade sharply lower in a US\$1,040/oz –US\$1,180/oz range in Q4 2014

Under an upside scenario, there is a 30% probability that gold could trade in a \$1,325/oz - \$1,400/oz over Q4 2014

Given the correction in gold equity prices, we believe investment opportunities exists

## Section III

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# Valuation



# Valuation Comparables



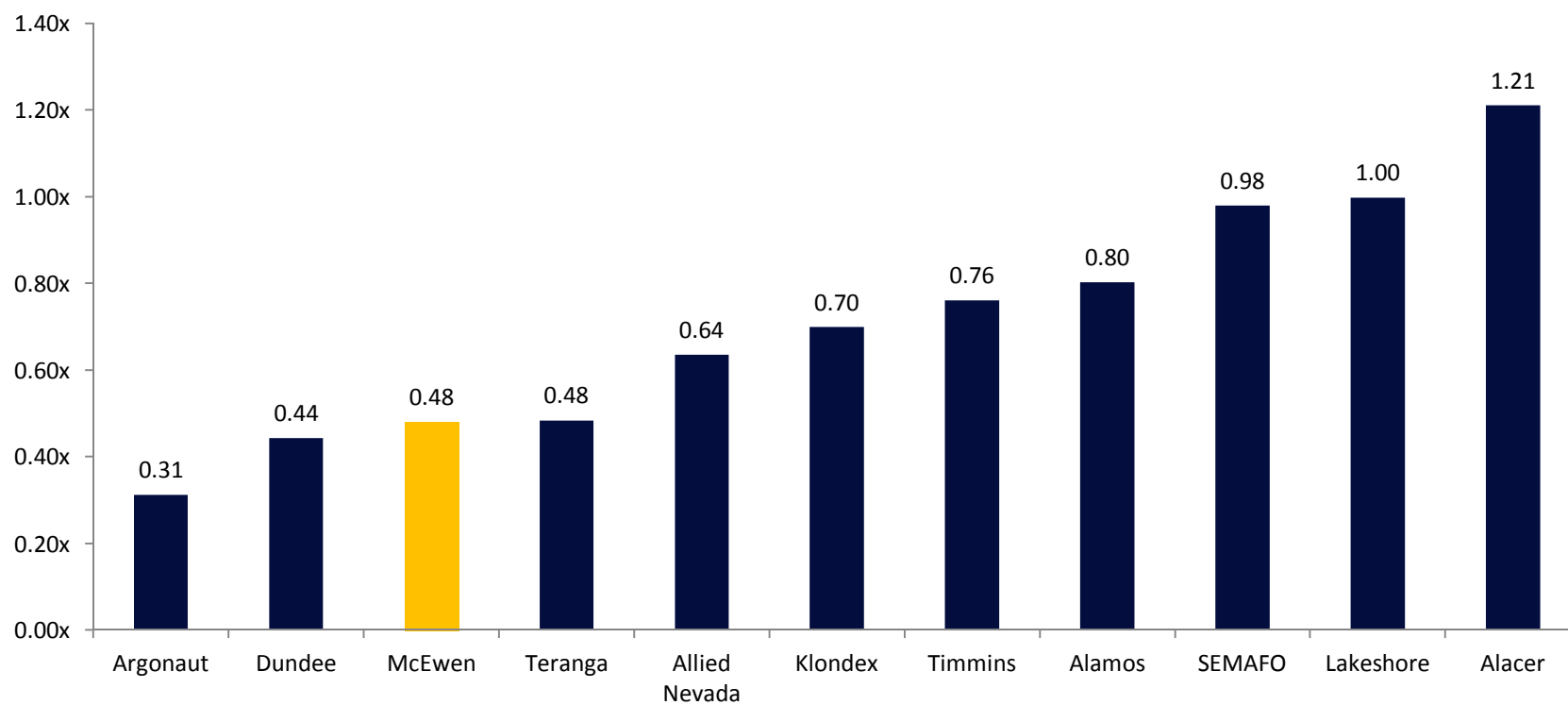
(in US\$ millions)	Share Price USD	Market Cap USD	Enterprise Value USD	Production 2013 (000 AuOz)	NAVPS	EV/EBITDA			EV/Au Koz		P / E			P/NAV	Debt/NAV	Operating Margin		
Company																		
						2013A	2014E	2015E	2013A	2013A	2014E	2015E	2013A	3Q14	2013A			
Tier III Gold Producers																		
Argonaut Gold	\$1.80	\$278	\$278	117	5.78	3.8x	5.1x	4.0x	2.4x	25.7x	25.7x	16.4x	0.3x	0.01x	27%			
Dundee Precious Metals	\$2.61	\$374	\$553	156	5.89	5.8x	5.2x	4.3x	3.5x	n.a.	n.a.	10.0x	0.4x	0.18x	12%			
Timmins Gold Corp.	\$0.99	\$163	\$146	119	1.30	2.3x	3.2x	3.3x	1.2x	9.0x	9.9x	11.0x	0.8x	0.05x	30%			
Alamos Gold Inc.	\$7.56	\$963	\$712	190	9.42	4.7x	12.1x	10.7x	3.7x	24.4x	94.5x	63.0x	0.8x	0.00x	34%			
Klondex Mines	\$1.61	\$196	\$198	0	2.30	n.a.	4.9x	2.9x	n.a.	n.a.	14.6x	6.2x	0.7x	0.07x	n.a.			
Teranga Gold	\$0.39	\$138	\$142	207	0.81	0.9x	1.6x	1.3x	0.7x	2.1x	6.5x	3.9x	0.5x	0.00x	27%			
SEMAFO	\$3.01	\$841	\$856	193	3.07	11.1x	7.5x	5.5x	4.4x	n.a.	27.4x	12.0x	1.0x	0.00x	8%			
Alacer Gold Corp.	\$1.93	\$567	\$321	114	1.60	1.4x	2.4x	3.5x	2.8x	n.a.	11.4x	17.5x	1.2x	0.00x	49%			
Allied Nevada Gold Corp.	\$1.39	\$146	\$727	191	2.19	15.3x	15.6x	11.9x	3.8x	n.a.	n.a.	n.a.	0.6x	2.37x	6%			
Lakeshore Gold Corp.	\$0.84	\$360	\$466	136	0.84	7.4x	4.5x	5.3x	3.4x	n.a.	12.0x	14.0x	1.0x	0.33x	6%			
Average						5.9x	6.2x	5.3x	2.9x	12.2x	25.2x	17.1x	0.7x	0.30x	22%			
McEwen Mining	\$1.30	\$386	\$419	146	\$2.69	n.a.	n.a.	15.5x	2.88x	n.a.	n.a.	21.7x	0.5x	0.00x	n.a.			

Significantly undervalued on a P/NAV basis

Source: Street Research, Bloomberg as of 11/16/2014.

# Valuation

## P/NAV



Source: Street Research, Financial Model.

# Valuation

## NAV & Operating Assumptions



Bear Case	Base Case	Bull Case
Effect of weak commodity prices on McEwen	Effect of street's forecasted commodity prices on McEwen	Effect of better than expected commodity prices on McEwen
<b>Revenue:</b> <ul style="list-style-type: none"> <li>Lowered due to weaker commodity prices, production lower than management guidance</li> </ul>	<b>Revenue:</b> <ul style="list-style-type: none"> <li>Lower than 2012 and 2013 commodity prices (in-line with street consensus) and production as per management guidance</li> </ul>	<b>Revenue:</b> <ul style="list-style-type: none"> <li>Heightened due to stronger commodity prices, production as per management guidance</li> </ul>
<b>Cash Costs:</b> <ul style="list-style-type: none"> <li>Decrease at a slower pace than management guidance</li> </ul>	<b>Cash Costs:</b> <ul style="list-style-type: none"> <li>Decrease at the pace indicated by management</li> </ul>	<b>Cash Costs:</b> <ul style="list-style-type: none"> <li>Decrease at a faster pace than indicated by management</li> </ul>
<b>Exploration Costs:</b> <ul style="list-style-type: none"> <li>Heightened due to deceiving drilling results from exploration assets</li> </ul>	<b>Exploration Costs:</b> <ul style="list-style-type: none"> <li>Stable at 2012 and 2013 levels</li> </ul>	<b>Exploration Costs:</b> <ul style="list-style-type: none"> <li>Lowered due to positive drilling results from exploration assets</li> </ul>
Price Target: \$0.92	Price Target: \$1.88	Price Target: \$2.31
Downside: (30%)	Upside: 44%	Upside: 76%

# Valuation

## NAV Model



Sum of Parts	
San Jose Mine - Argentina	\$460,483,287
El Gallo Complex - Mexico	\$303,954,108
Gold Bar - Nevada	\$34,834,973
Los Azules Copper - Argentina	-
Santa Cruz - Argentina	-
Grass Valley - Argentina	-
Tonkin Project - Argentina	-
Other U.S. Properties	-
<b>Sum of Parts NAV</b>	<b>\$799,272,368</b>
Less: Cash	\$17,622,000
Plus: Debt	-
<b>Equity NAV</b>	<b>\$781,650,368</b>
Shares outstanding	297,041,000
<b>NAVPS</b>	<b>\$2.63</b>
P/NAV	0.70x
<b>Price Target</b>	<b>\$1.93</b>

		P/NAV				
Scenario		0.5x	0.6x	0.7x	0.8x	0.9x
	Bear	\$0.65	\$0.79	\$0.92	\$1.05	\$1.18
	Base	\$1.35	\$1.61	\$1.88	\$2.15	\$2.42
	Bull	\$1.65	\$1.98	\$2.31	\$2.64	\$2.96

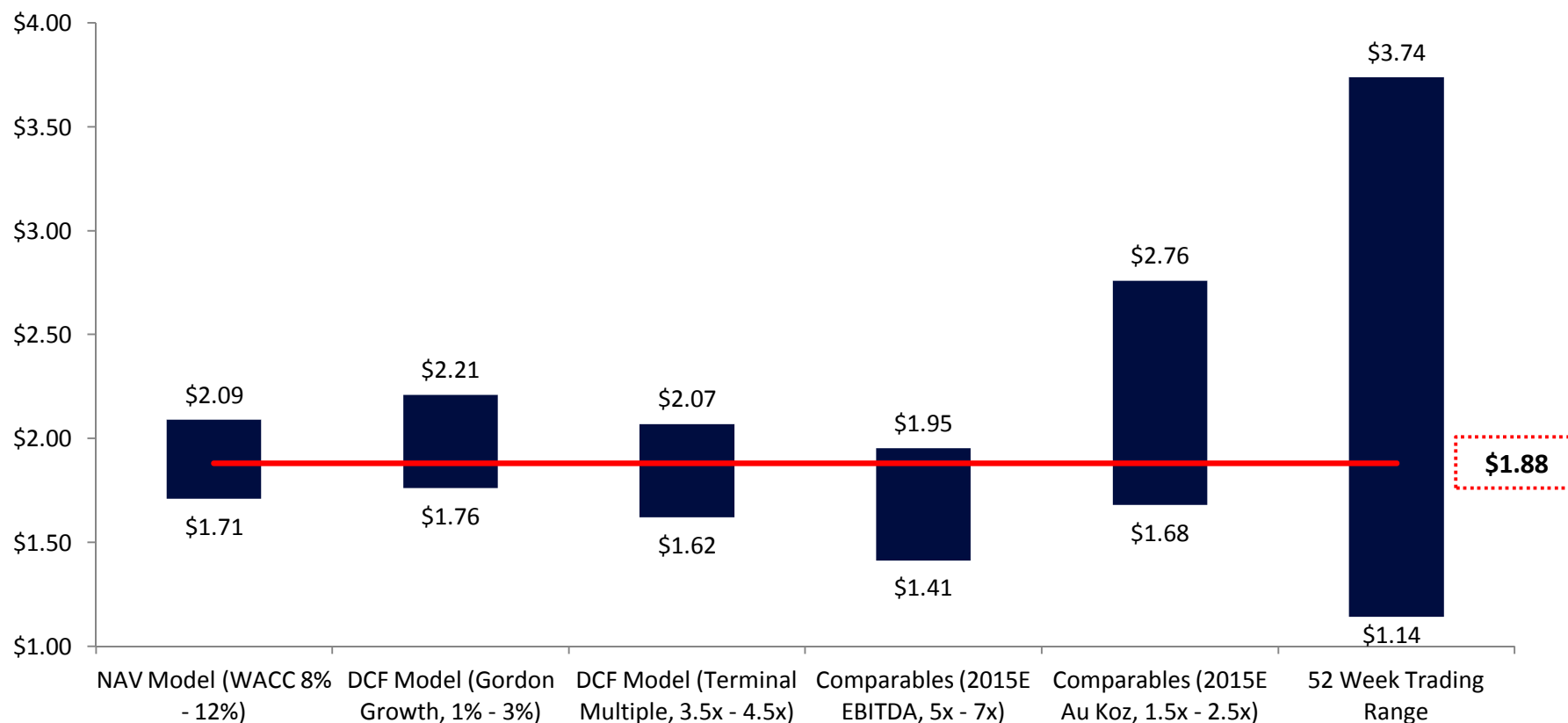
		WACC				
Scenario		6%	8%	10%	12%	14%
	Bear	\$1.09	\$1.00	\$0.92	\$0.85	\$0.78
	Base	\$2.33	\$2.09	\$1.88	\$1.71	\$1.55
	Bull	\$2.85	\$2.56	\$2.31	\$2.09	\$1.90

- Arbitrary WACC of 10% as commonly used on the street, and is on the conservative end of gold companies' cost of capital
- No value associated with exploration properties as they do not have NI 43 – 101 technical reports, even if some value must exist
- Applied 0.7x P/NAV multiple as per peer average

Source: Street Research, Financial Model.

# Valuation

## Football Field



Price target of \$1.88 represents an upside of 44%

Source: Street Research, Financial Model, Bloomberg as of 11/14/2014.

## Section IV

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# Recommendation





# McEwen Mining

## Key Drivers of Value



Asset Quality		<ul style="list-style-type: none"> <li>McEwen owns several high quality assets with strong growth profile that supports future free cash flow generation</li> <li>Mainly: San José Mine (grade) , El Gallo Complex (expansion), Gold Bar (low costs), Los Azules (sale)</li> </ul>
Growth Potential		<ul style="list-style-type: none"> <li>Large exploration potential at Gold Bar and Tonking, which provides development opportunities</li> <li>Experienced management with credible exploration strategy on promising properties in proven mining areas</li> <li>Low initial and LOM capex at the Gold Bar project, easing the mine's future financing needs</li> </ul>
Stage		<ul style="list-style-type: none"> <li><u>2 fully operating assets</u>, San José and El Gallo 1 which drives confidence in our valuation model</li> <li><u>2 development stage projects</u>, El Gallo 2 and Gold Bar with pre-feasibility studies completed</li> </ul>
Geopolitical / Project Risk		<ul style="list-style-type: none"> <li>Main operations and exploration properties located in proven mining jurisdictions for gold <ul style="list-style-type: none"> <li>Low geopolitical risks for US operations, low-medium geopolitical risks for Mexican and Argentinian assets</li> </ul> </li> <li>Knowledgeable management team with extensive experience and proven track record in mining development</li> <li>Pipeline of projects de-risked on the technical side with pre-feasibility completed: <ul style="list-style-type: none"> <li>El Gallo 2 (fully permitted), Gold Bar (permit to come in 2015)</li> </ul> </li> </ul>
Management / Board of Directors		<ul style="list-style-type: none"> <li>Superior management which drives shareholders confidence and interest in the company</li> <li>Robert McEwen perceived as a gold superstar and known for fulfilling his promises</li> <li>Impressive insider ownership of the CEO, Robert McEwen, with a 25.5% stake in the company</li> </ul>
Commodities Outlook		<ul style="list-style-type: none"> <li>Although we have a bullish outlook on gold, uncertainties remain</li> <li>Creates attractive entry opportunities for mining stocks at depressed gold prices</li> </ul>
Liquidity and Take-Over Potential		<ul style="list-style-type: none"> <li>Trading volume per day of ~5M shares which provides reasonable liquidity for a small cap</li> <li>Investor's want to own " targets" in a market of consolidation</li> <li>Only 1 analyst coverage</li> </ul>

# McEwen Mining



## Risks

- Failure to reduce cash costs at current operating mines
- Delay in ramp up of El Gallo II and Gold Bar development projects which could alter short term production levels
- Continued struggle in finding extraction solution to solve complex metallurgy at Tonkin
- Risk related to unfavorable commodity prices

## Catalysts

- Positive exploration discoveries at owned properties (El Gallo, Gold Bar, Tonkin, Los Azules, etc.)
- Reduction in AISC and cash costs and increase in production
- Final construction permit at Gold Bar (2016)
- Successful ramp up of the El Gallo II and Gold Bar projects (2016 & 2017)
- FY 2014 financials release and ability from management to meet guidance
- Potential acquisition target

Emerging gold producer with huge potential and experienced management

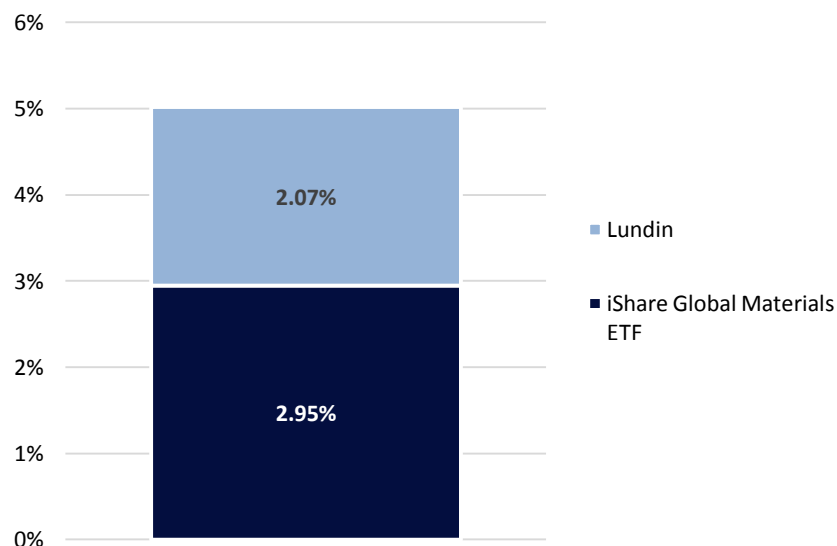
Stands to be a prime beneficiary if gold rallies

# Allocation

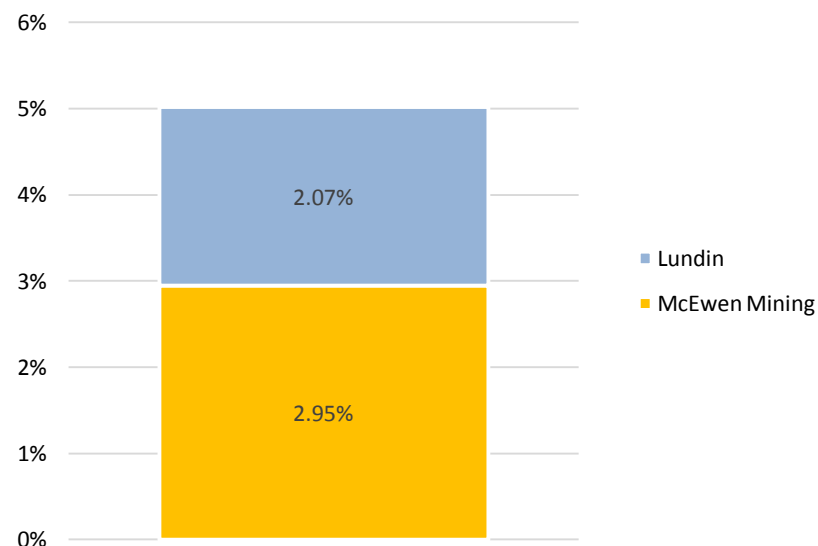
## Diversify Materials Portfolio



### Current Allocation



### Suggested Allocation



Intermediate base metals developer/producer + Junior precious metals developer/producer  
= Diversified materials portfolio

Strong growth opportunities & attractive valuation reaffirm conviction buy

## Section VI

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# Appendix



# McEwen Mining

## Key Drivers of Value



<b>Asset Quality</b>	<ul style="list-style-type: none"> <li>Primary driver of market acceptance</li> <li>Drives confidence in the quantum, growth and duration of future free cash flow generation</li> <li>Factors include: geology, grade, scale, size of resource, exploration upside, mine life, cash cost profile, etc...</li> </ul>
<b>Growth Potential</b>	<ul style="list-style-type: none"> <li>Exploration potential which can deliver new greenfield/brownfield development opportunities</li> <li>Management team with a credible exploration and acquisition strategy</li> <li>Manageable future capex requirements and a competitive advantage in accessing new opportunities</li> </ul>
<b>Stage</b>	<ul style="list-style-type: none"> <li>Advanced stage assets drive confidence in the valuation of development companies</li> <li>The market will generally ascribe more value to companies with resource estimates supported by sufficient drilling, and preliminary economic studies (PEA)</li> </ul>
<b>Geopolitical / Project Risk</b>	<ul style="list-style-type: none"> <li>The market will discount future cash flows depending on the jurisdiction and development risks associated with projects <ul style="list-style-type: none"> <li>Risks would include technical, geopolitical, permitting, financing and other risks</li> </ul> </li> <li>Identified risks will often be offset by the capabilities of the organization to manage specific risks, for example: <ul style="list-style-type: none"> <li>A proven operating track record will mitigate perceived technical operating risks and provide a credible path to production</li> <li>Key relationships or alignment of government interest would mitigate geopolitical risks</li> </ul> </li> </ul>
<b>Management / Board of Directors</b>	<ul style="list-style-type: none"> <li>Perceived quality of management will have a significant impact on overall assessment of a company</li> <li>Investors particularly like to invest in new companies with management, or even Board members, that have been associated with past successful companies in which they invested – a key component of “branding”</li> <li>The market will reward companies with strong corporate governance (especially with a controlling shareholder)</li> </ul>
<b>Commodities Outlook</b>	<ul style="list-style-type: none"> <li>Different commodities subject to various macro and regional economic forces</li> <li>Investors willingness highly dependent on specific commodity outlook</li> </ul>
<b>Liquidity and Take-Over Potential</b>	<ul style="list-style-type: none"> <li>High share trading liquidity, a large public float of shares and control in the market can lead to higher trading multiples</li> <li>Control in the market also means that a company is more available to potential acquirers as a target, and some investors consciously want to own “targets” in a consolidating sector</li> </ul>

# McEwen Mining

## Costs



BMO  Capital Markets

## Industry Cost Structures: C1, C2 and C3 Cash Costs

- Certain brokers as well as Wood Mac, a data service provider we routinely use, will provide C1, C2 and C3 cash costs

The following provides a summary of each metric:

- C1 Cash Cost is the direct cash cost through to refined gold, after allowing for co/by-product revenue. It excludes depreciation, interest charges, royalties and all other indirect costs (e.g. regional exploration, corporate overheads, strike costs etc.). Note that prior to 1996, C1 costs for South African mines include ongoing capital expenditure.
- C2 Cost is the production cost, and is the sum of the direct cash costs (C1) plus non-cash costs: depreciation, amortisation, restoration/rehabilitation provision and amortization of deferred stripping.
- C3 Cost is the fully allocated cost including royalties, interest charges, indirect costs (e.g. exploration, corporate overheads etc.) and extraordinary charges (e.g. strikes, closure costs, writedowns etc.)
- In addition, Total Cash Cost refers to the C1 cash cost, plus royalty plus other indirect cash costs. Net smelter return (NSR) and other revenue-based royalties are included in royalty costs reported in our mine-by-mine analyses. Note that profit-related royalties and taxes are excluded from our analysis.

## All-in Sustaining Costs and All-in Costs

- On June 27, 2013, the World Gold Council published its guidance on the calculation and reporting of "All-in Sustaining Cost"(AISC) and "All-in Costs"(AIC)
- Similar to cash costs, AISC and AIC are non-GAAP measured which are intended to provide further transparency into the costs associated with producing gold
  - Intended to help investor and other stakeholders understand the economics of gold mining
- AISC is now a widely used metric with an increasing number of companies disclosing the figure and research analysts / investors actively focusing on it

### ALL-IN SUSTAINING COSTS CALCULATION

		US \$ / gold ounces sold
On-Site Mining Costs (on a sales basis)	Income Statement	(a)
On-Site General & Administrative costs	Income Statement	(b)
Royalties & Production Taxes	Income Statement	(c)
Realised Gains/Losses on Hedges due to operating costs	Income Statement	(d)
Community Costs related to current operations	Income Statement	(e)
Permitting Costs related to current operations	Income Statement	(f)
3 <sup>rd</sup> party smelting, refining and transport costs	Income Statement	(g)
Non-Cash Remuneration (Site-Based)	Income Statement	(h)
Stock-piles / product inventory write down	Income Statement	(i)
Operational Stripping Costs	Income Statement	(j)
By-Product Credits	Income Statement	(k) <i>Note: this will be a credit</i>
<b>Sub-Total (Adjusted Operating Costs)</b>		<b>(l) = (a) + (b) + (c) + (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)</b>
Corporate General & Administrative costs (including share-based remuneration)	Income Statement	(m)
Reclamation & remediation – accretion & amortisation (operating sites)	Income Statement	(n)
Exploration and study costs (sustaining)	Income Statement	(o)
Capital exploration (sustaining)	Cash Flow	(p)
Capitalised stripping & underground mine development (sustaining)	Cash Flow	(q)
Capital expenditure (sustaining)	Cash Flow	(r)
<b>All-in Sustaining Costs</b>		<b>(s) = (l) + (m) + (n) + (o) + (p) + (q) + (r)</b>

### ALL-IN COSTS CALCULATION

<b>All-in Sustaining Costs</b>		<b>(s) = (l) + (m) + (n) + (o) + (p) + (q) + (r)</b>
Community Costs <u>not</u> related to current operations	Income Statement	(t)
Permitting Costs <u>not</u> related to current operations	Income Statement	(u)
Reclamation and remediation costs <u>not</u> related to current operations	Income Statement	(v)
Exploration and study costs (non-sustaining)	Income Statement	(w)
Capital exploration (non-sustaining)	Cash Flow	(x)
Capitalised stripping & underground mine development (non-sustaining)	Cash Flow	(y)
Capital expenditure (non-sustaining)	Cash Flow	(z)
<b>All-in Costs</b>		<b>= (s) + (t) + (u) + (v) + (w) + (x) + (y) + (z)</b>