

McEwen Looks to Nevada Consolidation

By Ben Abelson
16 Nov 2005 at 11:40 AM EST

NEW YORK (ResourceInvestor.com) -- Rob McEwen's long been known as a man who speaks his mind, and follows through with results. So, when the chairman and CEO of U.S. Gold [OTC:[USGL](#)] and former head of Goldcorp [NYSE:[GG](#); TSX:[G](#)] recently declared open season on consolidation in Nevada, investors should probably do themselves a favour and listen.

In a media call on Nov. 15, McEwen reiterated his much publicized belief that the Cortez Trend is the next big thing in gold mining. He also suggested that merger activity was likely in the future of his new company.

"Investors like stories that are simplified, easy to understand, and well financed. Somewhere along the way it makes sense to have one story," he said.

Considering the tremendous run-up in price for U.S. Gold's shares (from about \$0.50 before McEwen's July takeover to \$2.10 recently), it's the perfect time for the company to take advantage with an acquisition funded by an equity issuance. While McEwen didn't mention targets by name, considering his proclivity for obtaining underappreciated assets with large land packages, it isn't hard to come up with a short list.

Most noteworthy among these is probably explorer White Knight Resources [TSXv:[WKR](#)], which owns about 55,000 acres, mostly within the Cortez Trend. The company also counts McEwen among its significant owners, with about 17% of outstanding shares.

When asked specifically about a merger with White Knight, McEwen said a deal was "probably not a bad idea at the right price," before adding, "but I wouldn't say that they're the only one."

White Knight's shares recently traded at C\$1.50, about double where they stood in July, when McEwen purchased his stake in that company from Goldcorp. ("[Goldcorp Divests Portfolio - McEwen Invests in Nevada](#)"). With the run-up, however, the shares may have gotten a bit too rich for McEwen.

Another potential is Miranda Gold [TSXv:[MAD](#)], which recently signed JVs with Barrick [NYSE:[ABX](#); TSX:[ABX](#)] and Placer Dome [NYSE:[PDG](#); TSX:[PDG](#)].

Nevada Pacific Gold [TSXv:[NPG](#)] could represent a bottom-picker's dream - its shares have lingered near a multi-year low of C\$0.38 thanks to mediocre exploration results and the high-cost Magistral mine, which Queenstake [AMEX:[QEE](#); TSX:[QRL](#)] unloaded on that company in 2004. Nevada Pacific also holds a small portion of land on U.S. Gold's flagship Tonkin Springs property.

Victoria Resource Corp. [TSXv:[VIT](#)] is exploring in Horse Canyon - just up the road from Tonkin Springs - but is 32% owned by Bema Gold [AMEX:[BGO](#); TSX:[BGO](#)] and has a very close relationship with that company. The same story goes for Great Basin Gold [AMEX:[GBN](#); TSX:[GBG](#)], which has some real potential with its Hollister project (but is solidly within the hands of Hunter-Dickinson) and J-Pacific [TSXv:[JPN](#)], which is partially owned by Jipangu.

The list of potential partners continues with explorers like Atna Resources [TSX:[ATN](#)], CMQ Resources [TSXv:[CMQ](#)], Coral Gold [TSXv:[CGR](#)], Bravo Ventures [TSXv:[BVG](#)] and Klondex Mines [TSXv:[KDX](#)].

In looking for the "deep value" plays that McEwen's so fond of, real contrarians might also want to take a glance at Queenstake itself (is even Rob McEwen *that* brave) or Canyon Resources [AMEX:[CAU](#)].

While several companies could have their merits as exploration partners, this much is certain: miners worldwide are getting desperate to find new assets, as evinced by the recent Barrick/Goldcorp/Placer Dome deal.

With much of the community apparently following McEwen's lead in Nevada, active speculators or die-hard Cortez bulls might just do well to roll the dice with a basket of the most prospective explorers in the region.

..