



Pretium's predictable predicament

Pretium stock down >10% prior to post-market announcement of material grade miss.

JANUARY 10, 2019 – Pretium released the Brucejack Mine's Q4 2018 production update yesterday after-market, and market reaction shows it fell short of expectations. Pretium's ore grade has predictably fallen since Q2 2018 by >22%, leading to a miss of Pretium's H2 low-end gold production guidance of 200,000 ounces. At 11.5g/t, Pretium's head grade is now 30% below feasibility study sampling.

2018 Production Summary	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Ore Mined	255,227	248,506	255,227	
Mining Rate	2,774	2,731	2,774	
Ore milled	261,443	236,990	240,122	267,048
Grams per tonne	9.1	14.9	12.4	11.5
Recovery rate	96.8%	97.7%	97.4%	97.0%
Ore milled per day	2,905	2,604	2,610	2,903
Ounces produced	75,689	111,340	92,641	96,342

Figure 1 Viceroy Analysis – Pretium 2018 Production

Per our previous reports, Viceroy believe Pretium's grades will continue to fall as Pretium appear to be at the tail end of extracting high-grade deposits found along the Cleopatra Vein. As a reminder to our readers, we have appended this section of our thesis to this note.

Pretium have attributed their production and grade shortfall on their grade control system, which they state will be refined. We believe this is an unnerving excuse, and have provided substantial evidence to support our thesis that Pretium is overmining or selectively mining its deposits.

Production capacity increases of Pretium's mill will not fix this problem.

Viceroy was astonished at the >10% PVG stock decline on massive volume on January 8, 2019, prior to any announcement by Pretium. This is likely related to earlier bullish sentiment disseminated by The Globe and Mail, who reported Barrick was 'eyeing' Pretium:

When asked if the company could buy Vancouver-based Pretium Resources Inc., whose sole British Columbia mine is known for its tricky geology, Mr. Bristow replied, "maybe."

Figure 2 Extract from 'Barrick Gold eyeing Canada for acquisition opportunities' – Globe and Mail – Jan 7, 2019¹

We find it highly unlikely that Barrick would consider Pretium as an acquisition given its performance and grades have fallen well below expectation, and would likely not meet internal IRR criteria.

Pretium has failed to address in any depth the issues raised in our report including:

- The involvement of SEC-sanctioned fraudster Sima Muroff in the bulk sample program's milling operations
- The narrowing of drill core spacings as part of the grade control program, the results of which show no continuity within the VOK deposit
- Accelerated mine development
- Resignation of key consultants
- Blown-out costs

We maintain that Pretium is fundamentally overvalued, and see limited value in its current form.

¹ <https://www.theglobeandmail.com/business/article-barrick-gold-eyeing-canada-for-acquisition-opportunities/>



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Pretium or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroyresearch@gmail.com.

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Annexure: Excerpt from Pretium’s Catch-22 Report – Sep 11, 2018

Mine development acceleration

Pretium’s appears to be accelerating its mine plan in the face of what we believe to be a failure to find suitable high-grade ore to mill. As previously discussed, Pretium’s significant upcoming financing needs provide a strong incentive for management to release news of high grades, even if this means accelerating the development of Brucejack.

Pretium’s 2014 Feasibility study outlines the grouping of stopes based on elevation above sea level, the order in which they were forecasted to be mined and anticipated output from each zone.

The mining strategy established five mining blocks. The VOK will have two sill elevations, one at 1,200 and one at 1,350, plus the mine bottom at the 990 Level. These are labeled the VOK Lower, Middle, Upper and Lower blocks respectively. There will also be two mining blocks in the West Zone, one at the 1,030 Level and a sill at the 1,270 Level. These are labelled the WZ Lower and WZ Upper blocks respectively.

The development strategy targets the VOK Middle and Upper blocks as the first priority, followed by the more distant lower block to sustain production. Excavation for required mine infrastructure including the declines, 1,330 Level workshop area, and crusher will be accomplished in parallel with the development of the VOK orebody.

Figure 3 16.4.2 Pre-production development

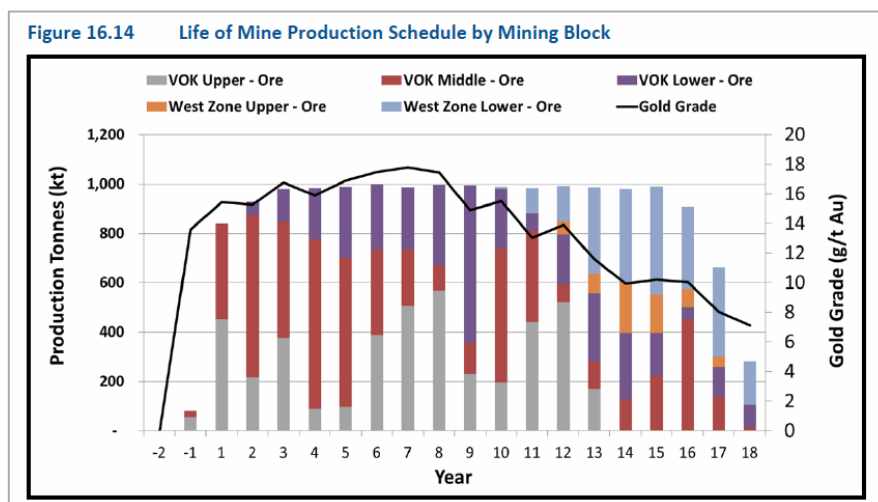


Figure 4 Life of Mine Production Schedule by Mining Block

As can be seen from the above figures, the majority of year 1 to 5 ore was projected to come from the VOK middle level defined as the sill elevation at the 1200 level. This was not the case.

Following poor grades, Pretium’s Q4 2017 production update already mentioned moving up from the 1200 level, with it accounting for only 25% of mill feed. The rest, presumably, came from the VOK upper level.

program operational and (c) lack of drill density in a significant area of the contributing stopes. During the period, ore from the stopes developed on the 1200-meter Level sill provided approximately 25% of mill feed. These stopes were mined in establishing the 1200-meter Level sill as part of the long-term mine plan and had a lower drill density than stopes on other levels of the mine. As the grade control program becomes operational and mining moves up from the 1200-meter Level into areas with higher drill density, reconciliation is expected to be more robust.

During the third and fourth quarter of 2017, two sills were established to open up two mining horizons for 2018, the 1200-meter Level to the 1320-meter Level and the 1320-meter Level to the 1440-meter Level. With the continued extension of the mining levels to the east and west within

Figures 5 & 6 Pretium Reports Fourth Quarter and Year End 2017 Results



This is strange as the VOK middle level contained the largest deposit and was expected to buttress ore production for the first 5 years of mine life with a supposed grade of 14.9g/t

Table 15.3 Brucejack Mineral Reserves* by Mining Block

Mining Block	Ore Tonnes (Mt)	NSR (\$/t)	Grade		Contained Metal	
			Au (g/t)	Ag (g/t)	Au (Moz)	Ag (Moz)
VOK Upper	4.3	578	16.9	12	2.3	1.6
VOK Middle	5.7	503	14.9	10	2.7	1.9
VOK Lower	3.7	530	15.5	9	1.8	1.1
VOK	13.6	534	15.7	11	6.9	4.6
WZ Upper	0.6	304	4.2	407	0.1	8.0
WZ Lower	2.3	350	7.6	245	0.6	18.1
WZ	2.9	340	6.9	279	0.6	26.0
Mining Block Total	16.5	500	14.1	58	7.5	30.7

Figure 7 Brucejack Mineral Reserves by Mining Block

Instead, the focus at Brucejack became the development of the VOK upper level. Pretium CEO Joe Ovsenek at the Rodman & Renshaw Conference on September 5, 2018:

“We’re currently mining at between the 1200-meter level and the 1410-meter level, and we’re continuing with our ramp development up to the 1500-meter level...and we’re ramping down to the 900-meter level”

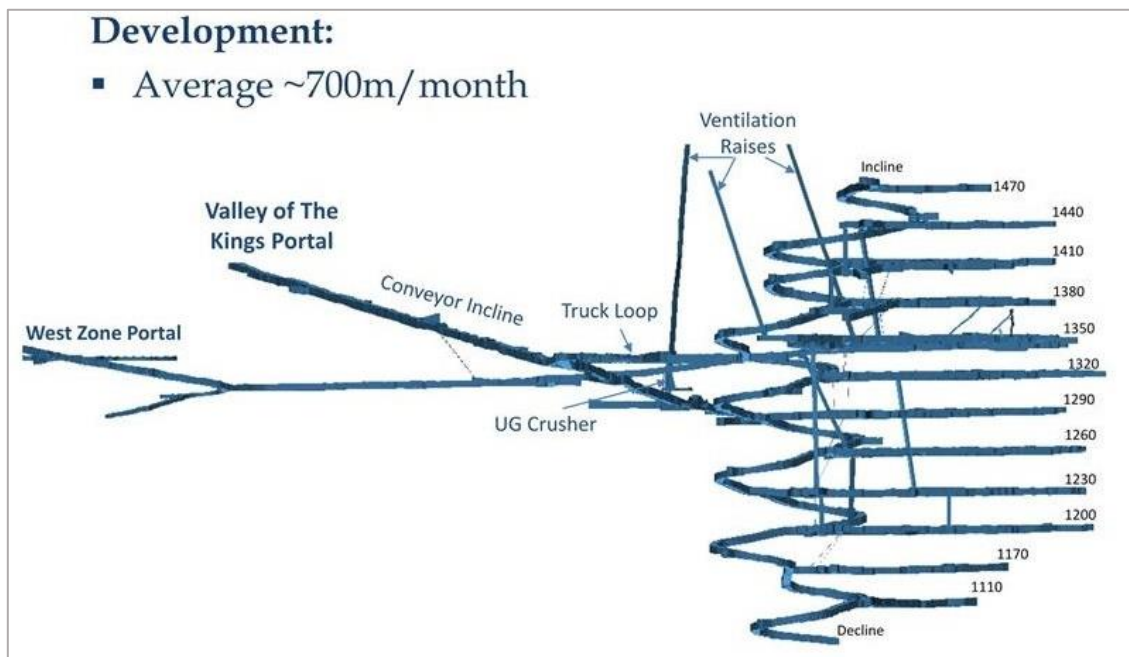


Figure 8 Extract from Pretium Slide Deck – Rodman Conference 2018



Of note is the Cleopatra Vein's presence at 1345 level as clearly mapped in the bulk sample program. We believe this is responsible for the company's sudden grade improvement in Q2 2018 and sudden rush to reach the VOK upper level. The VOK middle level obviously yielded poor results and had to be compensated for with a source whose mineralization was better understood.

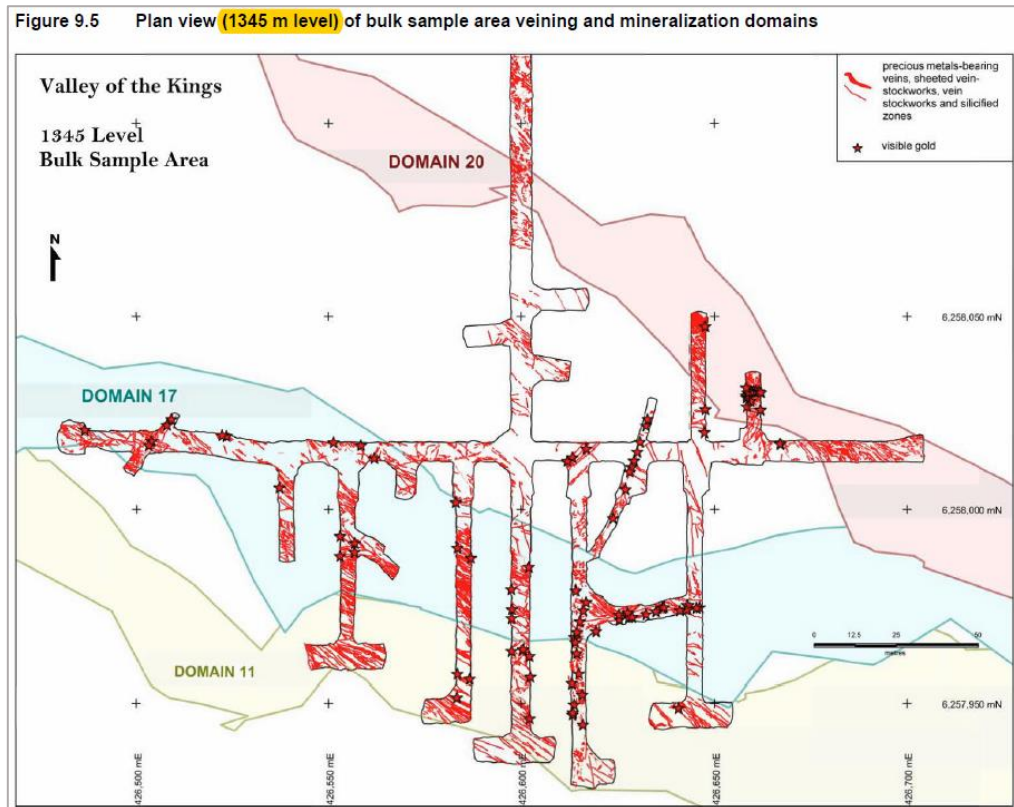


Figure 9 Plan view (1345 level) of bulk sample area

We put it to investors that:

1. The company is selectively mining stopes to provide the street with the grades required to continue the Brucejack illusion.
2. Pretium has a poor understanding of the mineral resource at Brucejack, with recent improvements in grade due to the company mining the only portion of the VOK zone it appears to understand.

Importantly, the rapid development of Pretium's mine corroborates evidence of overmining. The catch 22 here is that, if investors choose to accept overmining does not exist, we believe it is evident that the company has been selectively mining for high-grade ore by accelerating region development by 18-24 months. This thesis would be supported by excess dore being produced at Pretium's mill – discussed below.

Dore/Concentrate mismatch

Brucejack is producing far more dore relative to concentrate than originally planned. We do not believe this is a happy surprise but a product of selective stoping which would throw out the balance of dore-to-concentrate produced. Dore is a semi-pure alloy of gold and silver, produced from nuggety veins.

The 2014 feasibility study outlines the expected ratio of dore-to-concentrate produced for the lifetime of the Brucejack mine. These assumptions already assume a forward loading of the mine's output as laid out earlier in the 2014 feasibility study.



While year 1 and 2 were projected to have higher dore percentages, this was only 1 percentage point above the LOM average:

Year	Mill Feed				Doré				Concentrate				Doré and Concentrate			
	Tonnage (t)	Feed Grade				Tonnage* (kg)		Recovery (%)		Tonnage (t)	Recovery (%)		Grade (g/t)		Total Recovery (%)	
		Au (g/t)	Ag (g/t)	As (ppm)	S (%)	Au	Ag	Au	Ag		Au	Ag	Au	Ag	Au	Ag
1	839,490	15.4	11.7	314.2	2.8	5,715	1,450	44.1	14.8	47,061	52.7	70.2	145	146	96.8	84.9
2	994,511	15.2	11.7	343	2.6	6,656	1,718	44.1	14.8	52,423	52.7	70.2	152	156	96.8	85.0
3	994,512	16.7	12.8	295	2.3	7,517	1,866	45.2	14.7	45,114	51.8	70.5	191	199	97.0	85.2
4	983,608	15.9	9.9	344	2.5	6,997	1,456	44.7	15.0	49,464	52.2	69.5	165	136	96.9	84.5
5	988,266	16.9	11.0	296	2.1	7,473	1,614	44.7	14.9	41,595	52.2	69.9	210	182	96.9	84.8
6	998,838	17.5	10.6	285	2.1	7,866	1,574	45.0	14.9	40,193	51.9	69.7	226	183	97.0	84.7
7	986,207	17.8	11.8	307	2.2	7,925	1,725	45.1	14.8	42,377	51.8	70.2	215	193	97.0	85.0
8	995,722	17.5	11.7	273	2.1	7,850	1,725	45.2	14.8	41,882	51.8	70.2	215	195	97.0	84.9
9	993,721	14.9	10.2	259	2.2	6,480	1,522	43.8	15.0	42,325	53.0	69.6	186	167	96.8	84.6
10	987,218	15.5	11.2	323	2.6	6,748	1,576	44.1	14.2	50,788	52.7	70.6	159	154	96.8	84.9
11	984,791	13.0	29.3	319	2.7	5,450	1,680	42.5	5.8	52,835	54.1	82.1	132	448	96.6	88.0
12	993,151	13.9	69.2	270	2.3	5,933	2,187	43.0	3.2	46,286	53.6	87.1	160	1,294	96.6	90.3
13	986,322	11.6	102.8	212	2.5	4,678	2,316	40.9	2.3	49,665	55.6	87.7	128	1,789	96.4	90.0
14	980,578	9.9	151.9	209	2.6	3,882	2,675	39.8	1.8	51,310	56.1	88.8	107	2,577	96.0	90.6
15	990,726	10.2	158.7	223	2.5	4,086	2,731	40.4	1.7	50,578	55.6	88.9	111	2,762	96.0	90.6
16	907,805	10.0	104.1	255	2.3	3,524	1,945	38.7	2.1	42,010	57.6	87.7	125	1,973	96.2	89.8
17	663,357	8.0	254.7	225	2.7	1,853	2,739	34.8	1.6	36,457	60.9	90.2	89	4,179	95.7	91.8
18	280,857	7.1	271.9	289	2.8	633	1,214	31.7	1.6	15,698	63.9	90.3	81	4,393	95.5	91.9
LOM	16,549,680	14.1	57.7	281	2.4	101,268	33,711	43.3	3.5	798,062	53.4	86.5	157	1,034	96.7	90.0

Note: *Gold and silver content in the doré.

Figure 10 Projected Gold and Silver Production

Pretium has actually been producing is 50% more dore relative to forecasts:

Dore/Concentrate output analysis					
Forecast	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Total (oz)
Ore Milled (t)	209,873	209,873	209,873	209,873	839,490
Head Grade (g/t)	15.4	15.4	15.4	15.4	15.4
Gold milled (t)	103,912	103,912	103,912	103,912	415,649
Recovery (%)	96.8%	96.8%	96.8%	96.8%	96.8%
Gold Produced (oz)	100,587	100,587	100,587	100,587	402,348
Gold - Dore (oz)	45,935	45,935	45,935	45,935	183,741
Recovery (%)	44.1%	44.1%	44.1%	44.1%	44.1%
Gold - Concentrate (oz)	54,848	54,848	54,848	54,848	219,391
Recovery (%)	52.7%	52.7%	52.7%	52.7%	52.7%
Actual					
Ore Milled (t)	261,262	271,501	261,443	236,990	1,031,196
Head Grade (g/t)	10.5	8.2	9.1	14.9	15.4
Gold milled (t)	88,197	71,577	76,491	113,529	349,795
Recovery (%)	96.5%	95.8%	96.8%	97.7%	96.7%
Gold Produced (oz)	85,111	68,571	74,043	110,918	493,718
Gold - Dore (oz)	46,922	47,247	44,568	79,620	218,357
Recovery (%)	53.2%	66.0%	58.3%	70.1%	61.9%
Gold - Concentrate (oz)	38,189	21,324	29,475	31,298	120,285
Recovery (%)	43.3%	29.8%	38.5%	27.6%	34.8%

Figure 11 Viceroy Analysis

This anomaly was corroborated by Pretium CEO Joe Ovsenek at the Rodman & Renshaw 20th Annual Global Investment Conference on September 5, 2018.

"...we get about two-thirds of our gold out in dore, and one third out in flotation concentrate"

As far as we have been able to ascertain, management has not attempted to explain these differences between its forecast and actual dore output. We believe this deviation is due to the excessive mining of the Cleopatra vein which appears to have been occurring since at least Q3 2017.



Note that this does **not** debunk the evidence that volume extracted from the mine far exceeds managements' disclosures. Excess mining will allow for selective milling of high grade stock. This is corroborated by evidence above and newly presented evidence showing excess stockpiling at the Pretium site:

Increase in PAG waste time-on surface.

Since 2015, Brucejack mine has requested several extensions for the amount of time it can keep potentially acid-generating (PAG) rock stockpiled. For clarity all ore and waste rock from the Brucejack mine is classified as PAG.

CONCLUDING REMARKS

The preceding discussion of the ARD/ML assessment indicates that waste rock, ore and sludge is primarily PAG material while tailings and paste materials are non-PAG material.

Figure 12 20.1.4 Acid Rock Drainage/Metal Leaching

The period PAG waste was allowed to spend at surface increased from 6 months to 24 months from July 2015 to March 2017, partially due to a failure of the waste rock dump slope in October 2015.

- (vii) Waste rock shall be stored temporarily on surface, within the mine contact water collection system, for no longer than 6 months. Permanent disposal of waste rock on surface is not permitted.

Figure 13 Brucejack Mine Permit dated July 22, 2015²

3.4.2 Waste Rock Dump Working Surface

The deposition crest elevation is to be maintained at 0.3 to 0.5 m above the lake surface elevation. Due to natural seasonal fluctuations in water level, a constant lake elevation of 1,364.5 masl was used in the design. During construction the waste dump elevation may increase to accommodate short-term stockpiles of waste rock in the management process.

All PAG waste rock placed at the surface must be submerged in Brucejack Lake to a minimum depth of 1 m within 2 years of placement, as required by *Mines Act* Permit M-243. Therefore, the working surface of the platform area, which initially consists of PAG waste rock, is excavated in sections to 1 m below the water surface and replaced with NPAG rock from the NPAG Quarry.

Figure 14 Operation, Maintenance and Surveillance Manual: Brucejack Gold Mine dated March 2017³

We believe this increase in time is due to the increased excavation at Brucejack mine which is outpacing the company's ability to dispose it into Brucejack lake. Development at the mine shows no signs of slowing from the 700m/month pace set by management and as such we believe Pretium requested this increased allowance to facilitate its overmining and development needs.

Management attributes this excess waste issue to excess fine material present in the rock. Every consultant we have spoken to has advised that this is a non-issue – addition of a further telescopic conveyor if this was the sole issue. We opine that the issue is likely excess volume.

This is further evidence that the rate of mining and development at Brucejack mine far exceeds the design of the mine site, given that as far back as 2015 it was clear that Pretium lacked the correct equipment to dispose of waste ore.

Simply put, should be mine be operating at expected capacity/volume, there should not have been any excess waste, and no need to seek permission to hold this excess waste for an extended period of time.

² <https://mines.empr.gov.bc.ca/api/document/5931c6d6939001001cd0144d/fetch>

³ <https://mines.empr.gov.bc.ca/api/document/594950f5f7a09c001d4c7316/fetch>