Pretium's Catch-22

Viceroy addresses Pretium's revised ARR and presents new evidence supporting overmining thesis. (PVG:TSX / PVG:NYSE)

SEPTEMBER 11, 2018 – On 6 September, 2018, Viceroy research published its first report on Pretium Resources detailing what we believe is a scheme to distort the company's mining results and inflate the projected reserves of the company's Brucejack mine.

On September 10 Pretium issued a press release correcting its 2017 Annual Reclamation Report, the contents of which were used in Viceroy's original report. We believe this is a badly thought-out attempt at damage control for the following reasons:

- Pretium's new ARR figures are internally inconsistent and imply that Pretium misreported the Brucejack mine underground void by the volume of 140 Olympic-size swimming pools.
- The decrease in the change of underground void volume continues to present major discrepancies to Pretium's feasibility study, particularly around expected and historical bulk density figures obtained from the Brucejack mine
- If investors choose to accept that no overmining has occurred, a pandora's box of serious operational issues continues to plague Pretium. Specifically, it becomes inexplicable that Pretium's COGS and Capex have blown totally out of proportion and why explosive has dramatically exceeded expectation.
- **Viceroy present new evidence of accelerated mine development** from comments by Pretium management in last week's Rodman Conference. Pretium appear to have accelerated stoping by 18-24 months, moving well into the VOK lower zone well ahead of schedule. If investors choose to accept no overmining has occurred, Pretium's accelerated mine development and excess dore recoveries imply the company is selectively mining high grade deposits, and has already exhausted a large portion of these in the VOK-lower/upper zones.
- **Viceroy present new evidence of excess waste generated by Pretium throughout its development phase**. Pretium sought indefinite extension of time to dispose of excess waste in extracted from its mines. Viceroy's consultants confirm 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.

Investors must seriously consider the implications of Pretium's financial and operational figures should they choose to accept that no overmining has occurred. Further, they should question management as to their responses to our findings, instead of confining their responses to fireside chats with sell-side analysts.

Viceroy continue to believe that Pretium's grades will fall significantly, operating metrics/analysis has been distorted, and assets will be seized by its secured creditors as collateral as the company is overburdened by debt.

Viceroy maintains its belief that Pretium's equity is likely worthless.

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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ARR revision

On September 10, 2018 Pretium released that it had made an error in its 2017 Annual Reclamation Report to the British Columbia Ministry of Energy and Mining.

PRETIVM FILES AMENDED PROVINCIAL 2017 ANNUAL RECLAMATION REPORT CORRECTING THE TOTAL VOLUME OF ROCK EXCAVATED IN 2017

09/10/2018

Total Rock Excavated in 2017 Less Than Previously Reported

VANCOUVER, British Columbia, Sept. 10, 2018 (GLOBE NEWSWIRE) -- Pretium Resources Inc. (TSX/NYSE: PVG) ("Pretivm" or the "Company") has become aware that the reported figure for the total volume of rock excavated at its Brucejack Mine during 2017 in its British Columbia 2017 Annual Report for Mines Act Permit M-243; Effluent Permit 107835; Air Permit 107025 with respect to the Brucejack Mine (the "2017 ARR") is incorrect because that figure includes the total historical volume of all mining to the end of 2017 (including mining done prior to 2017). The correct volume of rock excavated at Brucejack during 2017 is 483,992 m^3, with the portion excavated in tunnels and drifts equal to 305,992 m^3 and in stopes equal to 178,000 m^3. Accordingly, the excavation within the underground mine during 2017 increased the size of the underground void by approximately 483,992 m^3, and not 773,000 m^3 as was originally reported in the 2017 ARR.

Figure 1 Pretivm files Amended Provincial 2017 Annual Reclamation Report Correcting the Total Volume of Rock Excavated in 2017[1]

The company claims that the 2017 excavation increased size of the underground void by 483,992m^3, not 773,000m^3 as previously "misstated". Investors are now told that 773,000m3 is instead the void size over the mine's life to date.

How dense are you?

Pretium's amendment of void size has serious implications on the density of the ore and waste in Brucejack, part of which we covered in our previous report. Using the company's reported ore figures and ore-to-waste ratios, the total mass of all excavation is 1,168,456t which, when divided by the new total volume excavated, results in a bulk density factor of 2.41/m^3.

Density calculation	ARR (FY 17)	PVG Filings (H2 17)
Underground - Ore (t)	684,464	552,205
Anticipated waste as % ore (feasibility)	N/A	36%
Undergound - Waste (t)	483,992	198,794
Total (t)	1,168,456	750,999
Pro-rata volume multiplier (based on ARR tonnage table)	1.00	0.65
Divided by : ARR Volume - (m3)	483,992	314,595
Implied density (t/m3)	2.41	2.39

Figure 2 Viceroy Analysis

This is far below not only anticipated results from numerous samples (which have minimal variance across regions and material) but also far below the allegedly correct 2016 implied density:

Table 16.7 Sample Specific Gravity (2009-2010)

Sample ID	SG	Sample ID	SG
SU-4	2.79	SU-25	2.71
SU-5	2.74	SU-27	2.74
SU-6A	2.82	SU-032A	2.73
SU-6B	2.84	SU-032B	2.73
SU-10	2.76	SU-032C	2.72
SU-19	2.76	SU-033	2.78
SU-21A	2.75	SU-036A	2.82
SU-21B	2.77	SU-036B	2.78

Table 14.22 Average bulk density values for each rock type and area

Description	Average bulk density
Bridge Zone Porphyry	2.68
Office Porphyry	2.69
VSF	2.71
Polylithic Conglomerate	2.74
Siliceous Zones	2.81
Latite Fragmental	2.74
West Zone	2.78
Non-mineralised	2.77

Figures 3 & 4 Sample specific gravity[2] *& Average bulk density values*[3]

[1] https://www.pretivm.com/news/news-details/2018/Pretivm-Files-Amended-Provincial-2017-Annual-Reclamation-Report-Correcting-the-Total-Volume-of-Rock-Excavated-in-2017/default.aspx

[2] Feasibility Study and Technical Report on the Brucejack Project, Stewart, BC by Tetra Tech – June 21, 2013 – page 232

[3] Mineral Resources Update Technical Report – December 19, 2013 – page 110

2016 ARR Density calculations	2016
2016 void increase (m3)	254,211
Underground - ore (t)	57,996
Underground - waste (t)	711,790
Implied bulk density	**3.03**

Figure 5 Viceroy Analysis

Note that in 2016, minimal ore was mined – a majority of the volume excavated was waste from pre-commercial development. To accentuate this issue: if we were to compare this to 2017 waste density by assuming bulk density for the total tonnes of ore mined, the implied waste density in 2017 would be 33% less than in 2016, for no apparent reason.

Holding ore density to realistic standards	
Estimated/tested bulk density	2.78
Underground - Ore (t) (per ARR)	684,464
Implied ore extraction (m3)	**246,210**
Less: total underground excavation - 2017	483,992
Implied waste extraction (m3)	237,782
Actual waste tonnage	483,992
Implied waste density	**2.04**

Figure 6 Viceroy Analysis

We believe the motive for this hasty amendment t result this has on our calculations for gold grade.

For the density to reconcile to 2.78t/m3, a waste to ore ratio of 143.66% would be required.

From ARR excavation	
Ore mined	483,992
Waste mined	684,464
Total mined	1,168,456
From company figures 2017	
Ore mined	552,205
Waste mined	119,426
Total mined	671,631
Shortfall	**496,825**

Figure 7 Viceroy Analysis

Note that as the ARR refers to volume in terms of void expansion, this implies the rock is not blasted. Comments directed to us relaying that we must consider the density of crushed rock will be ignored – it is a moot point.

It is convenient that Pretium have corrected a figure which cannot be audited and is not subject to audit scrutiny in order to attempt to debunk our report. Unfortunately for investors, choosing to trust this figure opens a pandoras box of inexplicable over costing, environmental concerns, operational anomalies and lack of financial controls. **This is the Catch-22.**

Overblown costing

Viceroy discussed in detail the excessive capitalization and excessive operating costs incurred by Pretium in our preliminary report. A summary of our findings is below:

COGS mismatch

The follow extract from Pretium's 2014 feasibility study forecasts operating costs of CAD 163/tonne of ore mined and processed. For ore not processed, a cost of CAD 93/tonne is forecast. In consultation with industry experts, we believe this figure is conservative.

A NSR cut-off grade of $180/t of ore was used to define the Mineral Reserves, which is unchanged from the value used for previous studies, including the June 2011 PEA (Ghaffari et al. 2011), the February 2012 Updated PEA (Ghaffari et al. 2012) and the June 2013 Feasibility Study (Ireland et al. 2013). In the 2013 Feasibility Study, site operating costs were ultimately estimated at approximately $156/t based on a 2,700 t/d operation, of which $93/t was attributable to mining. The cut-off grade thus provided a minimum margin of $24/t of ore mined.

This feasibility study update provides a platform for increasing the accuracy of cost estimations relative to previous studies. The design production rate has not changed for the current study. Estimates of average site operating costs over the LOM have been updated as follows:

- Mining: $91.34/t
- Processing: $19.69/t
- Surface Services and Others: $21.15/t
- G&A: $30.87/t
- Total: $163.05/t

Figure 8 Section 15.2 Cut-off grade[4]

We have used this data to derive an estimate cost of sales based on Brucejack's first 12 months of commercial, ramped production:

COGS Analysis (Quarterly)		Q3 2017	Q4 2017	Q1 2018	Q2 2018	First 12 months	Implied tonnage calc
Expected ore COS/tonne	*CAD/tonne*	163.05	163.05	163.05	163.05	163.05	163.05
Implied expected waste COS/tonne	*CAD/tonne*	93.00	93.00	93.00	93.00	93.00	93.00
USD/CAD period start	*USD/CAD*	1.2491	1.2466	1.2627	1.2893	1.2491	1.2491
USD/CAD period end	*USD/CAD*	1.2468	1.2573	1.2896	1.3141	1.3141	1.3141
USD/CAD period average	*USD/CAD*	1.2480	1.2520	1.2762	1.3017	1.2816	1.2816
Expected ore COS/tonne	*USD/tonne*	130.65	130.24	127.76	125.26	127.22	127.22
Implied expected waste COS/tonne	*USD/tonne*	74.52	74.28	72.87	71.45	72.57	72.57
Ore mined	*tonnes*	271,534	280,671	268,339	248,506	1,069,050	1,851,547
Year 1 waste-to-ore ratio	*%*	36.11%	36.11%	36.11%	36.11%	36.11%	36.11%
Waste mined	*tonnes*	98,051	101,350	96,897	89,736	386,034	668,594
Ore cost	*USD 000's*	35,477	36,553	34,284	31,128	137,442	235,559
Waste cost	*USD 000's*	7,307	7,529	7,061	6,411	28,308	48,517
Calculated cost of sales		42,784	44,082	41,345	37,539	165,750	284,076
Reported cost of sales	*USD 000's*	44,912	80,168	72,588	86,408	284,076	284,076
Difference	*USD 000's*	2,128	36,086	31,243	48,869	118,326	-
Difference	*%*	4.97%	81.86%	75.57%	130.18%	71.39%	0.00%

Figure 9 Viceroy Analysis

Note that, outside of Q3 2017, costs have blown out significantly on a relative basis, up to 130% over expectation in Q2 2018 and averaged 71% over expectation for the first year of commercial production. **If we were to take actual costs and reverse the equation, we would have expected Pretium to have mined ~73% more ore relative to waste.**

If investors choose to accept management's assertion that no overmining has occurred, they must seek answers as to why operating costs have been overblown.

[4] Feasibility Study and Technical Report Update on the Brucejack Project, Stewart, BC by Tetra Tech – June 19, 2014 – page 158

Overcapitalization of mine development

Pretium's 2014 feasibility study indicates that an initial capital outlay of ~US$746m would be required to bring the mine up to commercialization, ~US$289m of which would be required to develop the Brucejack mineral property (i.e. not including PPE or indirect costs). Per discussions with our mineral consultants, we have highlighted these relevant costs below:

Table 1.4 Summary of Initial Capital Cost

Major Area	Area Description	Capital Cost (US$ million)
Direct Costs		
11	Mine Site	21.5
21	Mine Underground	179.5
31	Mine Site Process	53.8
32	Mine Site Utilities	30.5
33	Mine Site Facilities	53.5
34	Mine Site Tailings	3.5
35	Mine Site Temporary Facilities	33.4
36	Mine Site (Surface) Mobile Equipment	14.6
84	Off Site Infrastructure	89.1
Subtotal Direct Costs		**479.4**
91	Indirect Costs	127.5
98	Owner's Costs	71.0
99	Contingency	69.0
Total Initial Capital Cost		**746.9**

Note: Numbers may not add due to rounding.

Figure 10 Table 1.4 Summary of Initial Capital Cost[5]

In 2017 alone, over US$420m of construction capex was attributed to Pretium's mineral property account:

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Mineral properties	Construction in progress	Plant and equipment	Exploration and evaluation assets	Total
Year ended December 31, 2016					
Cost					
Balance, January 1, 2016	$ 370,886	$ 126,623	$ 14,695	$ 230,647	$ 742,851
Additions	-	505,568	3,013	5,046	513,627
Foreign exchange differences	11,408	3,895	451	7,095	22,849
Transfer from construction in progress to plant and equipment	-	(2,905)	2,905	-	-
Balance, December 31, 2016	$ 382,294	$ 633,181	$ 21,064	$ 242,788	$ 1,279,327
Accumulated depreciation and depletion					
Balance, January 1, 2016	$ -	$ -	$ 4,835	$ -	$ 4,835
Depreciation and depletion	-	-	3,943	-	3,943
Foreign exchange differences	-	-	92	-	92
Balance, December 31, 2016	$ -	$ -	$ 8,870	$ -	$ 8,870
Net book value - December 31, 2016	$ 382,294	$ 633,181	$ 12,194	$ 242,788	$ 1,270,457
Year ended December 31, 2017					
Cost					
Balance, January 1, 2017	$ 382,294	$ 633,181	$ 21,064	$ 242,788	$ 1,279,327
Additions	-	324,641	297	3,928	328,866
Transfer from construction in progress to inventory	-	(8,192)	-	-	(8,192)
Transfer from construction in progress to plant and equipment	-	(523,488)	523,488	-	-
Transfer from construction in progress to mineral properties	420,419	(420,419)	-	-	-
Reversal (recoveries) of BCMETC	4,806	-	-	(253)	4,553
Balance, December 31, 2017	$ 807,519	$ 5,723	$ 544,849	$ 246,463	$ 1,604,554
Accumulated depreciation and depletion					
Balance, January 1, 2017	$ -	$ -	$ 8,870	$ -	$ 8,870
Depreciation and depletion	14,924	-	15,900	-	30,824
Balance, December 31, 2017	$ 14,924	$ -	$ 24,770	$ -	$ 39,694
Net book value - December 31, 2017	$ 792,595	$ 5,723	$ 520,079	$ 246,463	$ 1,564,860

Figure 11 Pretium 2017 Annual Financial Report – Note 8 Mineral Properties, Plant and Equipment

[5] Feasibility Study and Technical Report Update on the Brucejack Project, Stewart, BC by Tetra Tech – June 19, 2014 – page 42

This follows a CAD 513m transfer to mineral properties from "Exploration and evaluation assets" in 2015, bringing the Mineral Properties asset balance to >US$800m, or ~US$670m when excluding the purchase price for the mine of ~$138m.

Simply put, the real capital outlay for the development of Pretium's mineral properties is over 2x the expected capital outlay in the 2014 feasibility study, likely a major factor in Pretium's over-indebtedness.

The remaining ~$458m feasibility budgeted outlay attributed to PPE or other indirect, capitalized fixed asset outlays also appears to have been overblown, with pre-depreciation PPE balances at $544m at Q4 2017.

In Q2 2018, Pretium reported free cash flows of $72m, partially driven by lower than expected AISC per ounce of gold sold of $648 relative to previous quarters ($1,009/oz in Q1 2018) and limited sustaining capex, which management advised will be significantly higher in the second half of 2018[6].

Given the quantum of evidence suggesting Pretium has overmined in 2017, Viceroy believe Pretium have been capitalizing operational costs in the 2017 financial year to bump 2018 results. In other words, Pretium have taken a capitalized earnings bath to push favorable results during a debt refinance period.

If overmining is not the case – why have these been blown so far out of proportion?

Operational Anomalies

Explosives consumption rates tell a similar story

According to page 218 of the June 2014 feasibility study update:

EXPLOSIVES VEHICLES

At full production, explosives consumption is estimated to be 2.7 t/d of bulk emulsion. This will be delivered to the mine in six custom-made ISO tanks, each with a capacity of 6,000 L or 7 t. A boom truck will transport the full tanks to the emulsion bays. Two

Figure 12 Explosives Vehicles[7]

On page 90 the 2017 ARR states "Explosives use from January through December totaled 1,032,863 kg for development blasting and 346,206 kg for longhole Blasting".

development and long hole balsting. Explosives use from January through December totaled 1,032,863 kg for development blasting and 346,206 kg for longhole blasting. This quantity of explosive contains 340,630 kg of T-N distributed almost equally as NH_3 and NO_3.

Figure 13 4.5.2.2 Underground Mine Water[8]

This equates to 40% more than was anticipated by the feasibility study.

[6] https://seekingalpha.com/article/4197685-pretium-resources-inc-pvg-ceo-joseph-ovsenek-q2-2018-results-earnings-call-transcript

[7] Feasibility Study and Technical Report Update on the Brucejack Project, Stewart, BC by Tetra Tech – June 19, 2014 – page 218

[8] Pretium 2017 Brucejack gold mine Annual Reclamation Report – page 90

Explosive use	
Development blasting explosive use (tonnes)	1,033
Longhole blasting explosive use (tonnes)	346
Total explosive use (tonnes)	1,379
Daily explosive use (tonnes/day)	3.78
Explosive use estimate (tonnes/day)	2.70
% explosive over estimate	39.94%

Figure 14 Viceroy Analysis

This excess of explosive use in consistent with Viceroy's overproduction thesis.

Having consulted with mining experts and geologists, save for a dramatic in structure and geology, mining companies are usually able to develop a well-versed model for explosives use that is very accurate. When completing the bulk sample, Pretium should have had an accurate and workable reference for an explosives management plan in its feasibility study. Due to Pretium's admission that they have filed inaccurate statements, we find it hard to believe that any science behind the explosives use would remain uncorrected – inaccurate to a factor of >40%.

As such it leads Viceroy to believe that when considered in conjunction with COGS, Capex, development acceleration that Pretium are in fact moving more earth than planned. This is also corroborated in the company's environmental disclosures and permits that suggest a complete bottle-neck in waste ore.

Even when allowing explosive quantities will vary depending on breakage effectiveness, rock type, rock hardness, explosives cost versus crushing costs, and overall refinements to mining operations, our consultants believe this excess is far too extreme.

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 15 16.4.2 Pre-production development

Figure 16.14 Life of Mine Production Schedule by Mining Block

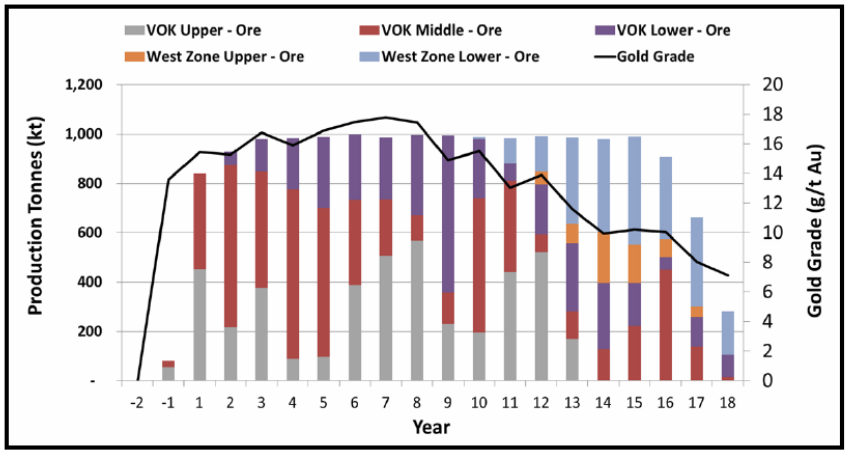

Figure 16 Life of Mine Production Schedule by Mining Block

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 17 & 18 Pretivm 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 19 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"*

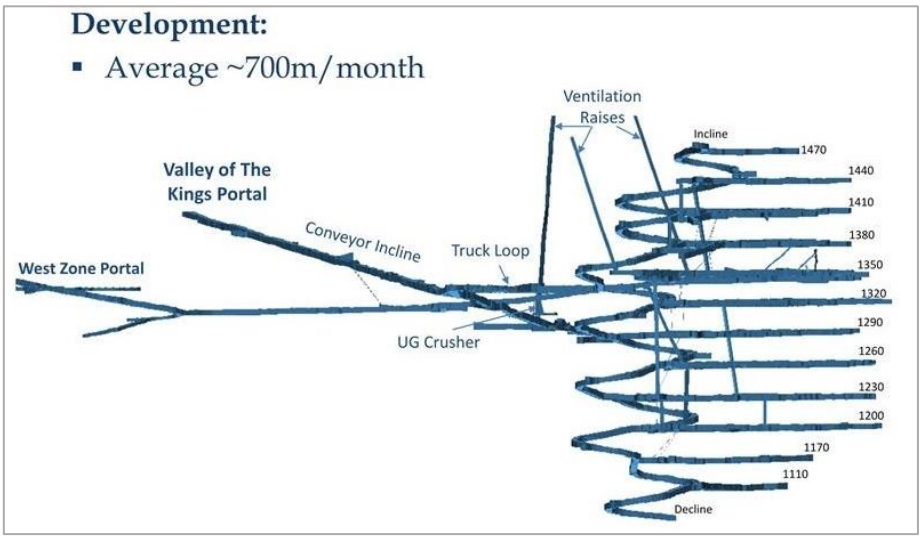

Figure 20 Extract from Pretium Slide Deck – Rodman Conference 2018

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.

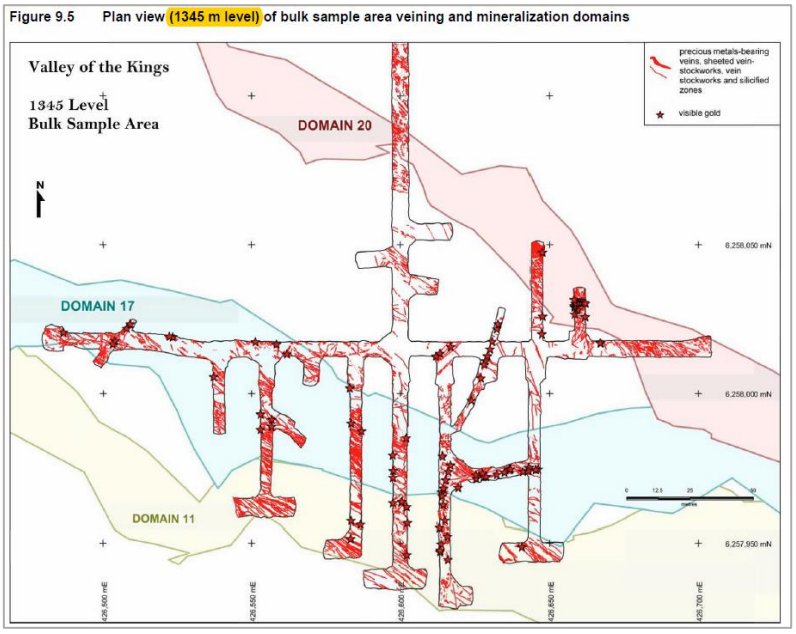

Figure 21 Plan view (1345 level) of bulk sample area

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:

Table 17.2 Projected Gold and Silver Production

	Mill Feed					Doré				Concentrate					Doré and Concentrate	
		Feed Grade				Tonnage* (kg)		Recovery (%)			Recovery (%)		Grade (g/t)		Total Recovery (%)	
Year	Tonnage (t)	Au (g/t)	Ag (g/t)	As (ppm)	S (%)	Au	Ag	Au	Ag	Tonnage (t)	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 22 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 23 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 24 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 25 Brucejack Mine Permit dated July 22, 2015[9]

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 26 Operation, Maintenance and Surveillance Manual: Brucejack Gold Mine dated March 2017[10]

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 conveyer 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.

[9] https://mines.empr.gov.bc.ca/api/document/5931c6d6939001001cd0144d/fetch
[10] https://mines.empr.gov.bc.ca/api/document/594950f5f7a09c001d4c7316/fetch

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.

Viceroy is currently conferring with environmental experts in order to provide a further assessment on the environmental implications of the PAG.

Employee turnover

Viceroy have been advised by numerous sources connected to the company that Pretium's employee turnover has been excessively high, especially within the Technical team. While we are not privy to the circumstances surrounding these large turnovers, we largely see this as a major red flag.

Conclusion

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

Investors must seriously consider the implications of Pretium's financial and operational figures should they choose to accept that no overmining has occurred. Further, they should question management as to their responses to our findings, instead of confining their responses to fireside chats with sell-side analysts.

Accordingly, we continue to believe the most likely scenario is that Pretium's assets are seized by its secured creditors as collateral.