



GSA ProTM

*The version of Gold Stock Analyst newsletter for Professional Investors
Reports on 60+ Gold miners plus the GSA-Top10 newsletter in mid-month*

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Investor Day Feb 25, 2018

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Extension. See Page 17**

**Next Issue
Web Posted: 3/1/18**

Top 10 News (on Pg 3):

Pretium Resources (PVG)

While it's never been a Top 10 stock, we know PVG is recommended by others, in part because we recently received panicked emails. On Jan 23, PVG issued Gold production totals for the last six months of 2017 and a forecast the first half of 2018. <http://www.pretivm.com/news/default.aspx> It also said "grade reconciliation to the reserve model ... was approximately 75% to 80%. PVG fell from its US\$10.79 close on Jan 22 to end the 23rd at \$7.93, a -26% drop. It's still lower today.

What's wrong the emails asked? We follow the company in GSA-Pro's 60 stock coverage list (last report Nov-17), so we can shed some light.

Acquired in 2010, Pretium's large land package is adjacent the east side of Seabridge's K-S-M deposit (see map page 16, Jan-17's *GSA-Pro*). In the northern end is Snowfield. Attractive due its 26 mil oz Au and 3.0 bil lbs Cu, the low grades of 0.6 g/t and 0.1%, respectively, have made it undevelopable to date.

Ten km south is Brucejack. Permitted for development of its West zone by prior owners in 1993, its small size and low metal prices stymied a construction start.

Brucejack drilling resumed in 2009, found "Valley of the Kings" (VOK) high grade zone and 2012 a resource estimate by Snowden said VOK contained 13.6 mil tonnes grading 15.7 g/t (0.5 oz/t) Gold for 6.9 mil oz of P+P Reserves. While drill core showed lengths of 1.0+ oz/t Gold, it was nuggety, not continuous with long voids. A 10,000 tonne bulk sample was taken in 2013 for a more accurate estimate than what's available from drill holes, even at the site's typical 10 meter centers.

This work resulted in 2014 Feasibility study that saw \$750 mil capex for a 2,700 t/day Mill to produce 504K Au oz/yr for the first 8 years of a 18 year mine life. On \$1,100 Gold, the pre-tax Internal Return was 35% with a 2.7 year payback, both excellent. Permits were granted and quasi-hedge funds financed \$540 mil via Steams and debt. Share sales in 2016 funded the balance. Construction began Sept-15 and Co declared commercial (economic) production in July-17.

There's an old adage in mining that says 'you never really know what grade you have until you mine and process it'. Pretium's news may prove this true again and because of a dispute begun by the 10,000 tonne sample taken in 2013 to confirm VOK's grade. In charge of the program was Strathcona, the highly regarded mining consultants hired to untangle the Bre-X fraud in the mid-90s.

There's no fraud here, but a dispute over VOK's total reserves. While it didn't impede the 2014 Feasibility Study by Tetra Tech, Strathcona had resigned in Oct-13, before the sample program was completed, saying Snowden's resource model and mineral estimate for VOK was wrong. The dispute kept banks from financing the \$750 mil capex and drove PVG to the quasi-hedge funds Orion and Black Rock.

The Market took the Jan 23 comment of 75% to 80% grade reconciliation to mean that Reserves, as Strathcona implied, might be 20% to 25% lower than the 8.1 mil oz Au now claimed for the site, a potential decrease of 2.0 mil oz.

The release also noted that Co had filed a permit amendment to increase milling to 3,800 t/day. A 40% higher rate could offset the grade decrease and maintain a 500K oz/yr pace, necessary to meet debt repayment and planned stream repurchases.

Also of note is that in early Jan-18, news reports Zijin Mining had sold 6.5 mil of its ~13 mil shares, for a \$30+ mil gain. Did Zijin know bad news was coming?

Lower P+P and Production could mean lower profits and/or a share sale is coming to repay debt and fund stream repurchases; both make PVG's stock value lower.