

Markets

Viceroy Says It's Shorting Canadian Miner Pretium Resources

By [Natalie Obiko Pearson](#)

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- ▶ Short seller says company has distorted results at Brucejack
 - ▶ Report says mine at risk of being taken over by creditors
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Pretium Resources Inc. fell 10 percent after Viceroy Research said it's shorting the stock, arguing the company has artificially inflated the value of its Canadian gold mine, which risks being taken over by creditors in coming months.

The New York-based short seller -- which rose to prominence last year with research into financial irregularities at South African retail giant Steinhoff International Holdings NV -- released a report Thursday saying Vancouver-based Pretium has distorted results from its Brucejack gold mine in the province of British Columbia.

“Our mine valuation - coupled with Pretium’s overleveraged balance sheet - lead us to believe Pretium equity is effectively worthless,” Viceroy said in the report. "We believe the most likely

outcome is that debtholders will exercise their security and take control of the mine as the company becomes progressively, but quickly, unprofitable."

Pretium Chief Executive Officer Joe Ovsenek said in an email that Viceroy's report "is completely without merit. Nothing more to add."

Pretium shares are down 36 percent this year in Toronto. That's more than the 22 percent drop in the S&P/TSX Global Gold Index which has been dragged down by an 8 percent slump in bullion.

More Rock

Short sellers benefit from a falling stock as it allows them to pay back shares they have borrowed at a cheaper price.

In its 47-page report, Viceroy said it believes Pretium has artificially boosted Brucejack's grades and reserves by over-relying on samples taken from a rich but thin fissure named the Cleopatra vein. Citing discrepancies between figures in company filings versus those in annual reports to the provincial government, Viceroy calculates Pretium is taking at least double the amount of rock out of the ground than it's disclosed to investors because it's not finding as much gold as expected.

"Taking substantially more rock out of the ground in search of gold might signal far less gold underground than what was originally planned," the report said, describing Pretium's activities as a "textbook case of selective grading." Viceroy also pointed to figures indicating the company is using 40 percent more explosives and depositing 45 percent more waste rock than would be expected based on prior estimates.

Analysts Bullish

Viceroy said Pretium is seeking to burnish the mine's prospects as it faces pressure to refinance expensive debt maturing at the end of the year. The company said last month it had \$692 million in debt as of June 30. That included a \$393.5 million credit facility with an effective interest rate of 15 percent maturing on Dec. 31 subject to a one-year extension, according to an Aug. 9 filing.

Viceroy, which has targeted companies from Australia to the U.S. including Steinhoff, MiMedx Group Inc. and Capitec Bank Holdings Ltd., has had mixed success. It's also become the subject of scrutiny itself and is facing a probe by German prosecutors for a March report on broadcaster ProSiebenSat.1 Media SE.

Analysts remain bullish on Pretium, with eight rating it a buy and two a hold, according to data compiled by Bloomberg. The average price target of C\$16.49 implies a 62% return on the stock. Short interest makes up 1.3 percent of the stock's float, down from a high of 4.3 percent on September 22, according to financial analytics firm S3 Partners.

– *With assistance by Steven Frank, and Danielle Bochove*

(Updates with CEO dismissing report in fourth paragraph. An earlier version of this story corrected the amount of the credit facility.)

In this article

PVG

PRETIUM RESOURCE

9.69 CAD ▲ +0.06 +0.62%

GC1

Gold

1,202.60 USD/t oz. ▲ +2.80 +0.23%

SNH

STEINHOFF INT NV

0.14 EUR ▼ -0.00 -0.85%

MDXG

MIMEDX GROUP INC

5.29 USD ▼ -0.02 -0.38%

CPI

CAPITEC BANK HOL

97,213.00 ZAr ▲ +413.00 +0.43%