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Problem child redux

Pretium Resources (PVG in Toronto and New York) is not, in fact, the poster child of the 2013 gold debacle. The Canadian developer looks almost prosperous in comparison to a 62% plunge in the desolated Market Vectors Junior Gold Miners ETF (GDXJ). The price of PVG has merely been sawed in half.

Sawed in half, that is, following a ferocious rally, the rally having been ignited by news that—in effect—the company is not a fraud. Holders of the shares need no reminder about the falling-out between Pretium's management, on the one hand, and Strathcona Mineral Services, one of the engineering firms that management retained to conduct and oversee Pretium's Valley of the Kings bulk sample testing program, on the other. The Oct. 8 news that Strathcona had walked off the job, evi-

dently for cause that reflected badly on management and on the much anticipated prospects for Pretium's deposit, knocked down the shares by 30%. On Nov. 20, low ebb, the closing price was C\$2.89.

"But while this argument played out publicly (to the bulls' horror)," relates colleague Charley Grant, "the bulk sample processing continued. On Nov. 22, Pretium disclosed that 4,215 ounces of gold had been produced from the bulk sample, exceeding the company's stated goal of 4,000 ounces, and another 19% of the excavated material had yet to be tested. Up zoomed the share price. On Dec. 2, with underground exploration concluded, the company announced that it had discovered eight intersections grading higher than 1,000 grams of gold per metric ton. It's not so difficult to imagine that

the uneven nature of the deposit, which seemed to trigger the engineering dispute, might cause more problems on the long road to commercial production (management expects 2016 to be the year). Anyway, the gold was in the ground after all."

At this writing, the stock tops C\$6. For perspective, the price was C\$12.21 when we first sang the company's praises in the issue of *Grant's* dated Jan. 25. It's a funny thing about the liquidation in gold-mining shares or about the pullback, let us call it, in gold itself. Selling gold, the world is saying in so many words, "The central banks have the situation well in hand." Disagreeing with that proposition, we remain bullish on gold and the companies that mine it.

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