COWEN AND COMPANY

Metals & Mining: Emerging Miners

Pretium Resources

Equity Research

Company Quick Take

December 8, 2014

Price: C$6.50 (12/5/2014)
Price Target: C$22.74

OUTPERFORM (1)

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Key Data

Symbol	TSX: PVG.CN
Market Cap (MM)	C$720.1

C$81MM Investment By Zijin Mining

The Cowen Insight

Chinese gold producer Zijin Mining has agreed to invest C$80.87MM in PVG, which, upon closing, will make Zijin a ~10% owner in PVG, and provide the company a Board seat. According to PVG, this investment should provide a significant portion of the planned equity component of the financing required to bring the Brucejack Project into production.

- Zijin Mining Group has agreed to make a strategic investment in PVG, which, upon closing, will make Zijin a 9.9% owner of PVG's outstanding shares. Upon closing of the transaction, Zijin will own approximately 12.84MM PVG shares; PVG will receive gross proceeds of C$80.87MM.

- Pretium intends to use the proceeds from the Offering to fund capital expenditures including the procurement of long-lead items and camp infrastructure. In November, PVG announced that AMEC had been awarded EPCM services for Brucejack.

- Permitting continues to move through the 180-day Environmental Assessment application period, which commenced on August 13, 2014. Provincial and Federal reviews remain coordinated. The company continues to expect receipt of permits in 1H15. Once permits are received, conditional on a positive production decision, the company plans to initiate construction in 1H15.

- The offering is scheduled to close on or about January 16, 2015, subject to regulatory approvals and approvals from the Chinese government. Zijin will be entitled to nominate one person to the PVG Board, and will have a pre-emptive right to participate in any of PVG's future equity financings to maintain its approximately 9.9% interest.

- Zijin Mining Group is a large-scale state-owned mining group with its headquarters in Shanghang County, Fujian Province, PRC. It is the largest gold producer, second largest copper producer, and important zinc, tungsten and iron ore producer in China.

Valuation Methodology And Risks

Valuation Methodology

Emerging Miners:

In the Precious Metals and Emerging Miners space, we utilize NAV methodology (income approach) to value developing and operational mining plays as this method encompasses key variables such as: price, operating costs, up-front capital, mine life, time-value of money, and the corporate balance sheet. This method allows for these variables to change over time.

Our individual asset values use Reserves and Resources to determine project life. Where possible, forward commodity and exchange rate price strips are used to generate revenues and modify costs. Costs are built from historic results, modifications of existing studies, or from independent studies of like deposits. Full costing (on-site & off-site), stripping ratios, oil price, and currency rates are used to determine costs per ton. Relatively recent contract smelting and refining terms, payable rates, and shipping rates are used. Estimates of capital expenditures for new projects or brownfield expansions rely on recent detailed costing studies and various rules of thumb regarding both upfront and sustaining capital costs. Due to the nature of exploration assets, where key variables have greater uncertainty, the market or cost approaches are generally preferred to the income approach. However, these approaches themselves contain a great deal of uncertainty, where value determination is indirect -- as no two assets are directly comparable, due to intrinsic differences in geology, land ownership, legal/tax regime, mineralogical potential, and extraction economics. In addition, as market conditions and commodity prices change, previous market transactions quickly become stale and no longer representative of current fair-market value. As assets develop and more information is gathered, the cost and market approach advantages give way to the income approach which is our primary valuation choice.

For the market approach, we prefer to use more than one comparable transaction, adjusting transactions to take into account non-comparable factors, and then using a per-area-unit approach (such as dollars/claim). For the cost approach, we favor the geoscience matrix approach (Kilburn, 1990) -- where five major criteria (broken into 19 parts) are considered to reach a value per claim based on a multiple to- cost per claim. However, this approach reaches a maximum value per claim, which, at a point, ceases to be representative of successful advances in exploration and development. Early-stage exploration properties may be accounted for using 3% of current in-situ value. For precious metal dominated development projects, we derive an average "precious metal discount rate" from the market price of the largest precious metal equities we have modeled. Currently, we calculate a discount rate near 10%. Similarly, we determine a "base metal discount rate" by utilizing the 3 large copper producers we have modeled. Our calculated base metal discount rate is approximately 14%. Gold companies usually trade at higher financial multiples and lower discount rates due to the expected low beta to market of the underlying commodity, which frequently leads to the aggressive practice of evaluating gold projects on a zero discount rate. Back calculation of discount rates for large, multi-asset miners supports our view of discount rates, however. Most importantly, 1) we remain agnostic to price forecasting, 2) utilize consistent discount rates between projects and companies and 3) present investors with an asset by asset breakdown of NAV. By following this methodology we avoid personal biases regarding commodity price expectations and relative risk perceptions, thus providing a framework for the investor to apply their own commodity price views and risk handicaps. Our ratings and price targets are based upon a combination of value and leverage relative to a company's peer group.

Investment Risks

Emerging Miners:

Political Risk: With worldwide assets, miners are subject to significant political risk. Despite compliance with national laws, provincial or local opposition (legal or otherwise) may impact operations. Changing federal laws and regulations may negatively impact project economics, regardless of prior agreements. Environmental groups and other non-governmental organizations may actively pursue tactics (legal or otherwise) that can negatively impact miners.

Operational and Technical Risk: The mining industry contends with risks associated with large-scale equipment, earth moving operations, and heavily strained processing equipment. These operations are subject to uncertainties that must be recognized and managed to avoid major, and often catastrophic, negative events. All mines are fundamentally unique, and thus dangers must constantly be investigated and managed. Similarly, new projects are subject to technical risks, and design flaws may result from applying an existing process to a new ore body.

Commodity Price Risk: Nearly all commodity-related equities are exposed to changes in the underlying commodity. Investors may seek this exposure for the upside potential, but must recognize that leverage cuts both ways. Lower commodity prices could undoubtedly make attractive projects less economically viable.

Market Risk: While the market sentiment toward the group is often tied closely with commodity prices (and risk), it may also be impacted by business cycle expectations and general opinion as to the legitimacy of the sector.

Financing and Dilution Risk: The cost of financing changes beyond the control of any company, and the availability of capital can appear or disappear rapidly. If a miner does not access the capital markets when conditions are favorable (either when the stock price is strong or debt is inexpensive), then management might find themselves short of capital and forced to take very expensive debt financing or issue equity at very low prices or risk going bankrupt altogether, both to the detriment of existing shareholders.

Royalty Risk in the US and Abroad: Mining companies in the US and abroad may be subject to a changing royalty regime which can negatively impact profitability and/or the economic viability of developing projects. Currently in the U.S. Congress there are two bills. One would impose gross revenue royalties while the other would impose a net revenue royalty. Passage of either bill would prove detrimental to exploration and mining investment in the US.

Risks To The Price Target

Our Outperform rating reflects our view that Pretium Resources offers investors exposure to a company with a portfolio of early stage, high return assets. Risks to our price target includes 1) Permitting and Execution. Building a mine is no easy task, even for experienced mine builders. While companies extensively plan for construction and meticulously estimate costs and timelines, more often than not, construction does not go exactly as planned. In addition, depending on the country and jurisdiction, various permits are required for both exploration and construction. The timing and certainty of receiving permits always presents risk, regardless of compliance with laws and protocol. 2) Exploration Risk. Much of the company's project pipeline is still in early stages of exploration and these project have not yet been fully drilled, nor have economic studies or mine plans been constructed. There remains uncertainty until further monies are spent on detailed investigation to provide statistical certainty regarding grades, recoveries, ore body morphologies, and economic viability. 3) Liquidity/Dilution. We expect future equity raises to move the flagship asset into production. For companies without operating assets, capital raising is the lifeblood of development – allowing raw assets to evolve into mines. Equity is often the preferred route to reach production status. Additional equity offerings should generate additional trading volume, which allows larger institutional shareholders to enter.

Addendum

Stocks Mentioned In Important Disclosures

Ticker	Company Name
PVG.CN	Pretium Resources

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Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

Cowen And Company Rating Definitions

Distribution of Ratings/Investment Banking Services (IB) as of 09/30/14

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	440	59.95%	105	23.86%
Hold (b)	278	37.87%	10	3.60%
Sell (c)	16	2.18%	0	0.00%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

Note: "Buy", "Hold" and "Sell" are not terms that Cowen and Company, LLC uses in its ratings system and should not be construed as investment options. Rather, these ratings terms are used illustratively to comply with FINRA and NYSE regulations.

Pretium Resources Rating History as of 12/05/2014

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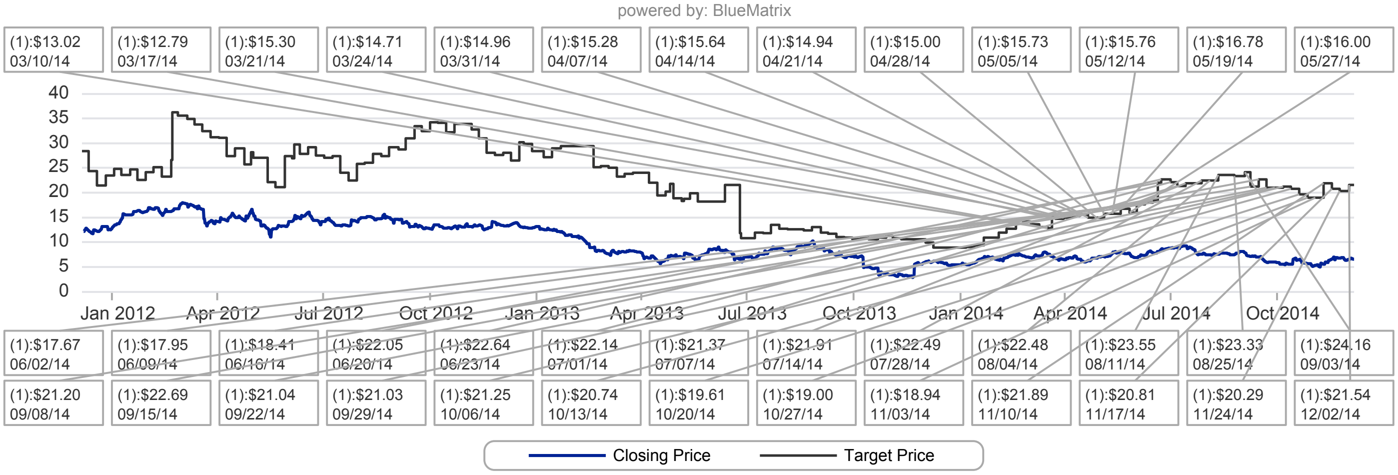

Legend for Price Chart:

I = Initiation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | $xx = Price Target | NA = Not Available | S=Suspended

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