

Establishes a diversified gold producer with attractive exploration assets

Shares Issued: 183,131,604

THUNDER BAY, ON, July 28, 2016 /CNW/ - [Premier Gold Mines Ltd.](#) ("Premier") (TSX:PG) is pleased to announce that it has entered into a definitive share purchase agreement (the "Share Purchase Agreement") with [Yamana Gold Inc.](#) ("Yamana") pursuant to which Premier has agreed to acquire (the "Acquisition") Yamana's Mercedes mine and exploration properties located in the state of Sonora, northwest Mexico, within the Cucurpe municipality (collectively, the "Mercedes Mine").

Pursuant to the Share Purchase Agreement, Premier has agreed to acquire all of the shares of Yamana's indirect wholly-owned subsidiary, which indirectly owns all interests in the Mercedes Mine, for a total purchase price of US\$140.0 million (based on closing price of Premier's shares on July 5th, 2016, the date of signing the non-binding letter of intent to acquire Mercedes with Yamana) consisting of:

- a) US\$122.5 million in cash;
- b) the issuance of 6.0 million common shares to Yamana in the capital of Premier (each a "Common Share"); and
- c) the issuance of 3.0 million warrants to Yamana (each a "Warrant") to acquire up to 3.0 million Common Shares.

Each Warrant will entitle Yamana to purchase one Common Share upon the exercise thereof at the price of C\$4.75 per Common Share until 5:00 p.m. (Toronto time) on the date that is 24 months after the closing date of the Acquisition, subject to approval of the Toronto Stock Exchange.

In addition, Premier will grant to Yamana a 1.0% net smelter return royalty on production from the current land package relating to the Mercedes Mine on the earlier of a date: (a) on which 450,000 ounces of gold equivalent has been produced by the Mercedes Mine following closing of the Acquisition; and (b) six years after closing of the Acquisition.

The Acquisition is expected to close on or about September 30, 2016.

Located in Sonora State in Mexico, the Mercedes Mine has been in production since 2011 and is currently mining 3 underground gold-silver deposits. From 2012 to 2015, the mine produced an average of ~109koz of gold annually. The Mercedes Mine currently has mineral reserves of 333koz gold grading 4.33 g/t and 3,750koz silver grading 48.8 g/t, measured and indicated mineral resources (exclusive of mineral reserves) of 537koz gold grading 3.36 g/t and 5,817koz silver grading 36.5 g/t, and inferred mineral resources of 239koz gold grading 3.45 g/t and 2,001koz silver grading 28.9 g/tⁱ.

The company intends to fund the cash component of the purchase price from sources of capital available to it and expects in due course to confirm the details of such financing.

Highlights of the Transaction

- Transformational Acquisition Creating a Diversified Gold Producer: with pro-forma 2016E production of greater than 100kozⁱⁱ and 2017E production of ~138kozⁱⁱⁱ, the Acquisition results in a more diversified asset portfolio while providing for more growth opportunities on a go-forward basis.
- High Quality, Low Cost Operating Mine in Prolific Mining District: the Mercedes Mine operates in a politically favorable jurisdiction of Mexico with average annual production of ~109koz (2012-2015 average)^{iv} and 2016E AISC of ~\$935/oz^v
- Unique Opportunity to Surface Additional Value: the Mercedes Mine is a small component of Yamana's portfolio and has been under-explored creating significant potential to extend the mine life beyond known reserves.
- Significant Exploration Potential: the Mercedes Mine is a large land package located in the highly-prospective Sonora state and Premier has identified multiple opportunities to increase the mineral resource and mineral reserve estimates.
- Increased Financial Flexibility: the anticipated cash flow from the Mercedes Mine combined with that of South Arturo will help fund the Hardrock development.
- Accretive Transaction: the Acquisition is accretive on a number of key operating and financial metrics.

"The acquisition of the Mercedes Mine is a compelling and transformative transaction", stated Ewan Downie, President and CEO of Premier on the Company's C-Suite Blog (<http://www.premiergoldmines.com/news/c-suite-blog>). "It establishes Premier as a diversified gold producer with an attractive production growth profile and significant exploration prospects within world-class and

mine-friendly jurisdictions."

The Acquisition is subject to customary closing conditions including receipt of the required Mexican anti-trust approval and the approval of Toronto Stock Exchange.

RBC Capital Markets is acting as the financial advisor to Premier with respect to this acquisition. Premier's legal advisor is Bennett Jones LLP. Yamana's legal advisor is Cassels Brock & Blackwell LLP.

Stephen McGibbon, P. Geo., Vice President of Corporate & Project Development, P. Geo., is the Qualified Person for the scientific and technical information contained in this press release and is a Qualified Person within the meaning of National Instrument 43-101.

Premier Gold Mines Limited is one of North America's leading exploration and development companies with a high-quality pipeline of projects focused in proven, safe and accessible mining jurisdictions in Canada and the United States that includes world class gold mining districts such as Red Lake and Geraldton in Ontario and the Carlin and Eureka-Battle Mountain Trends in Nevada.

This news release contains certain information that may constitute forward-looking information or forward-looking statements under applicable Canadian securities legislation ("forward-looking information"), including but not limited to information about the structure, terms and timing of the Acquisition and the acquisition financing; whether the Acquisition and the acquisition financing will be completed; the terms of the Warrants; and information relating to the properties and relating to the Mercedes Mine. This forward-looking information entails various risks and uncertainties that are based on current expectations, and actual results may differ materially from those contained in such information. These uncertainties and risks include, but are not limited to, the strength of the global economy; the price of gold; operational, funding and liquidity risks; the degree to which mineral resource estimates are reflective of actual mineral resources; the degree to which factors which would make a mineral deposit commercially viable are present; and the ability of Premier to fund its substantial capital requirements and operations. Risks and uncertainties about the Company's business are more fully discussed in the Company's disclosure materials filed with the securities regulatory authorities in Canada available at www.sedar.com. Readers are urged to read these materials. Premier assumes no obligation to update any forward-looking information or to update the reasons why actual results could differ from such information unless required by law.

ⁱ Yamana 2015 Annual Information Form

ⁱⁱ Combination of 25% of Yamana 2016 guidance for Mercedes as per the January 13, 2016 press release, and Premier guidance for South Arturo

ⁱⁱⁱ Combination of Yamana 2017 guidance for Mercedes as per the January 13, 2016 press release, and Premier guidance for South Arturo

^{iv} Yamana public filings

^v Yamana press release dated January 13, 2016

SOURCE [Premier Gold Mines Ltd.](http://www.premiergoldmines.com)

Contact

Ewan Downie, President & CEO, Phone: 807-346-1390, Fax: 807-346-1381, e-mail: Info@premiergoldmines.com; Web Site: www.premiergoldmines.com