



Press Release

Thunder Bay: October 3, 2016
Shares Issued: 200,406,337

PREMIER CLOSES PURCHASE OF MERCEDES MINE

PREMIER GOLD MINES LIMITED (TSX:PG) (“Premier”, “the Company”) is pleased to announce that it has completed its acquisition of Yamana Gold Inc.’s (“Yamana”) 100% interest in the Mercedes Mine Property (the “Acquisition”), located some 60 kilometres southeast of Magdalena de Kino, in the Sonora State, Mexico.

Pursuant to a share purchase agreement dated July 28, 2016, Premier has acquired all of the shares of Yamana's indirect wholly-owned Mexican subsidiaries, which own a 100% interest in the Mercedes Mine, for total consideration consisting of:

- a) US\$122.5 million in cash (the "**Cash Purchase Price**");
- b) 6.0 million common shares to Yamana in the capital of Premier (each a "**Common Share**"); and
- c) 3.0 million warrants to Yamana (each a "**Yamana Warrant**") to acquire up to 3.0 million Common Shares. Each Yamana Warrant entitles 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 September 30, 2018.

In connection with the Acquisition, Premier granted 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) the date on which 450,000 ounces of gold equivalent has been produced by the Mercedes Mine following September 30, 2016; and (b) September 30, 2022. Yamana was also granted a 2.0% net smelter return royalty on the La Silla property in Sinaloa, Mexico and the La Espera property in Sonora, Mexico.

The Cash Purchase Price was provided pursuant to a financing package (the "**Financing**") from Orion Mine Finance ("**Orion**"). The Financing is comprised of the following:

- a) Senior Secured Gold Prepay Credit Facility of US\$ 42.2 million pursuant to which Premier will deliver to Orion 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters commencing December 31, 2016 in repayment of principal, plus cash interest payments at an interest rate of 6.5%. Subject to certain exceptions, Premier has the option to satisfy four interest payments in Common Shares issued at the then 10 day volume weighted average closing price;
- b) Senior Secured Silver Stream of US\$11.5 million pursuant to which Premier will deliver to Orion 50% of the silver production from the Mercedes Mine for the first year following closing, 60% for the subsequent year, and 70% thereafter until the delivery of 1.25 million ounces of silver, after which the delivery will be reduced to 25% of the silver production until the delivery of 2.0 million ounces, and reduced further to 12.5% thereafter. Orion will pay an ongoing cash purchase price equal to 20% of the prevailing silver price;
- c) An increase of US\$15 million in Premier’s existing unsecured credit facility with Orion to US\$45 million. The interest rate associated with this facility remains unaltered at 6.0%;
- d) A subscription of 10,958,333 Common Shares by Orion for gross proceeds of US\$35 million;
- e) 1,000,000 warrants (each an "**Orion Warrant**") to acquire up to 1,000,000 Common Shares. Each Orion Warrant entitles Orion to purchase one Common Share upon the exercise thereof at the price of \$5.46 per Common Share until June 30, 2018; and

- f) An amendment to Premier's existing offtake obligations with Orion to sell up to an additional 20,000 ounces of gold annually relating exclusively to production from the Mercedes Mine, subject to an annual aggregate maximum of 35,000 ounces of gold from all of Premier's producing projects.

The Common Shares and warrants issued pursuant to the Acquisition and the Financing are subject to a four-month plus one day hold period pursuant to applicable Canadian securities laws.

Stephen McGibbon, P. Geo., is the Qualified Person for the information contained in this press release and is a Qualified Person within the meaning of National Instrument 43-101.

Premier Gold Mines Limited is a respected production, exploration and development company with a high-quality pipeline of gold projects focused in proven, safe and accessible mining jurisdictions in Canada, the United States and Mexico. Anticipated gold production in excess of 100,000 ounces during the final quarter of 2016 will come from its interest in the South Arturo Mine in Nevada and the recently acquired Mercedes Mine in Mexico. For further information, please contact:

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Forward Looking Information

This Press Release contains certain information that may constitute "forward-looking information" under applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements about future gold production, including anticipated production in excess of 100,000 ounces during the final quarter of 2016 from the South Arturo Mine in Nevada and the Mercedes Mine in Mexico, future operations, future work programs, capital expenditures, discovery and production of minerals, price of gold and currency exchange rates, timing of geological reports and corporate and technical objectives. Forward-looking information is necessarily based upon a number of assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking information, including the risks inherent to the mining industry, adverse economic and market developments and the risks identified in Premier's annual information form under the heading "Risk Factors". There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. All forward-looking information contained in this press release is given as of the date hereof and is based upon the opinions and estimates of management and information available to management as at the date hereof. Premier disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.