

# Premier Gold Mines Announces Financing Arrangement with Orion Mine Finance for the Purchase of the Mercedes Mine

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## **Fully-financed package limits Shareholder dilution Shares Issued: 183,197,504**

THUNDER BAY, ON, Aug. 3, 2016 - [Premier Gold Mines Ltd.](#) ("Premier") (TSX:PG) is pleased to announce that it has entered into a letter agreement with Orion Mine Finance ("Orion") to fully-fund the cash component of the recently announced acquisition (the "Acquisition") of the Mercedes Mine (the "Mercedes Mine") from [Yamana Gold Inc.](#) ("Yamana") for a total purchase price of US\$140.0 million (based on the July 5<sup>th</sup>, 2016 closing price on the date of signing the non-binding letter of intent with Yamana).

It is expected that the cash component (US\$122.5 million) of the purchase price will be funded with a comprehensive financing package (the "Financing") provided by Orion and comprised of the following:

- Senior Secured Gold Prepay Facility of US\$42.2 million for which Premier will deliver to Orion 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters following the closing date of the Acquisition plus an interest rate of 6.5%. Premier will have the option to satisfy four interest payments in common shares of Premier issued at a 10 day volume weighted average closing price ("VWAP");
- Silver Stream of US\$11.5 million (50% of the silver production from the Mercedes Mine for the initial four quarters, 60% for the subsequent four quarters, and 70% 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) with an ongoing payment based on 20% of the prevailing silver price;
- An increase in Premier's existing unsecured credit facility with Orion of US\$15 million to US\$45 million (US\$5 million currently outstanding). The interest rate associated with this facility will remain unaltered at 6%;
- 1,000,000 Common Share Purchase Warrants at an exercise price equal to 130% of the Equity Subscription Price (defined below) exercisable until 24 months after the closing date of the Acquisition;
- Equity component of US\$35 million at an issuance price (the "Equity Subscription Price") equal to the VWAP of Premier's Common Shares during the 10 business days leading up to the closing date of the Financing. Premier has the option to reduce the equity component by up to \$20 million at its sole discretion; and
- An offtake obligation of 15 koz Au annually relating exclusively to production from the Mercedes Mine.

The Financing is subject to customary closing conditions including, the execution of definitive documentation with respect to the Financing and the receipt of all required regulatory approvals (including the Toronto Stock Exchange).

The balance of the purchase price will be financed through the issuance to Yamana upon the closing of the Acquisition of 6,000,000 common shares in the capital of Premier and 3,000,000 common share purchase warrants, with each warrant having an exercise price of C\$4.75 per common share until 24 months after the closing date of the Acquisition, subject to approval of the Toronto Stock Exchange.

Pursuant to the acquisition agreement with Yamana, 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.

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 ~110.5 koz of gold annually. The Mercedes Mine currently has Mineral Reserves of 333 koz gold and 3,750 koz silver contained in 2.4 million tonnes of ore at 4.33 g/t of gold and 48.8 g/t of silver; Measured and Indicated Mineral Resources (exclusive of reserves) of 537 koz gold and 5,817 koz silver contained in 5.0 million tonnes of ore at 3.36 g/t of gold and 36.5 g/t of silver; and Inferred Mineral Resources of 239 koz gold and 2,001 koz silver contained in 2.2 million tonnes of ore at 3.45 g/t of gold and 28.9 g/t of silver<sup>i</sup>.

"This financing arrangement was constructed with a view toward minimizing near-term shareholder dilution," stated Steve Filipovic, Chief Financial Officer of Premier. "With positive cash flow expected during the second half of this year we expect Premier's financial position will continue to strengthen as we progress toward 2017."

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

Stephen McGibbon, P. Geo., Vice President of Corporate & Project Development, 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 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; the structure, terms and timing of the Financing; whether the Acquisition and the Financing will be completed; 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 Premier's business are more fully discussed in Premier's disclosure materials filed with the securities regulatory authorities in Canada available at [www.sedar.com](http://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.

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<sup>i</sup> Per Yamana 2015 Annual Information Form

SOURCE [Premier Gold Mines Ltd.](#)

## Contact

Ewan Downie, President & CEO, Phone: 807-346-1390, Fax: 807-346-1381, e-mail: [Info@premiergoldmines.com](mailto:Info@premiergoldmines.com); Web Site: [www.premiergoldmines.com](http://www.premiergoldmines.com)

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