

Premier Announces PEA Results on the Cove Project

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After-tax NPV5 of \$143.0M & 48% IRR

All figures are in United States of America dollars unless otherwise stated.

THUNDER BAY, ON, May 15, 2018 /CNW/ - [Premier Gold Mines Ltd.](#) (TSX: PG) ("Premier", "the Company") is pleased to announce the Preliminary Economic Assessment ("PEA") of its 100% owned Cove Project (the "Project") located near Mount, Nevada.

Highlights of the PEA results and life-of-mine plan ("LOM") include:

- After-tax NPV5 of \$143.0 million, and an after-tax internal rate of return ("IRR") of 48%
- Average operating costs of \$199/ton, Cash Cost of \$788/oz Au and All-in Sustaining Cost (AISC)⁽ⁱ⁾ of \$897/oz Au
- Indicated mineral resources of 1,045,000 tons at 0.327 oz/t Au and 0.861 oz/t Ag for 342,000 ounces of gold and 1,045,000 ounces of silver
- Inferred mineral resources of 4,032,000 tons at 0.328 oz/t Au and 0.609 oz/t Ag for 1,322,000 ounces of gold and 4,032,000 ounces of silver
- Metallurgical recoveries of 82.7% for gold and 21.6% for silver
- LOM gold production of 740,000 ounces during 8 years of operations
- Average LOM annual gold production of 92,400 ounces
- LOM capital cost of \$114.4 million after pre-development costs of \$25.8 million
- Mine construction capital of \$46.6 million
- After-tax payback period of 4 years

"This PEA sets the stage for the Company's planned advanced-exploration initiative at Cove," stated Ewan Downie, President and CEO of Premier Gold Mines. "These results support our plan for the construction of an exploration ramp to further define and expand the deposits in advance of a future Feasibility Study."

Project Economics

The Project will process 2.93 million tons at an average grade of 0.305 oz/t Au producing 0.74 million ounces of gold over an 8-year period. The cost profile includes an All-in-Sustaining Cost of \$897 (net of by-product credits) per ounce of gold sold, an average Cash Cost (net of by-product credits) of \$788 per ounce of gold sold. Gold production will average 92,400 ounces per year over the 8-year mine life.

The PEA assumes mining of mineral resources in the Helen and Gap deposits only. Potential exists to increase mineral resources as the deposits remain open for expansion, as well as adding potential mineral resources from the Cove South Deep and other zones following underground exploration and delineation drilling. These opportunities will be reviewed during underground development and exploration drilling program.

Project after-tax NPV5 is estimated to be \$143.0 million. After-tax cash flows result in a 4-year payback from the commencement of commercial production with an after-tax IRR of 48% as shown in Table 1.

Table 1: Summary of Economic Parameters and PEA Results	
Gold price - base case (US\$/oz)	1,250
Mine life (years)	8
Maximum mining rate (tons/day)	1,360
Average grade (oz/t Au)	0.305
Average gold recovery (roaster %)	79.2
Average gold recovery (autoclave %)	85.6
Average annual gold production (koz)	92.4
Total recovered gold (koz)	740
Pre-development costs (M\$)	25.8
Mine Construction Capital (M\$)	46.6
Sustaining capital (M\$)	67.7
Cash cost (US \$/oz)	788
All-in sustaining cost (\$/oz)	897
Project after-tax NPV _{5%} (M\$)	143.0
Project after-tax IRR (%)	48

Total undiscounted after-tax cash flow over the life of the Project is estimated to be \$196 million as shown in Table 2.

Table 2: Life-of-Mine Cash Flow									
Year	Revenue (\$ M)	Operating Cost (\$ M)	Pre- development (\$ M)	Mine Construction Capital (\$M)	Sustaining Capital (\$ M)	Other ² (\$ M)	Pre-tax Cash Flow (\$ M)	Taxes (\$ M)	After-tax Cash Flow (\$ M)
-3	-	-	(12)	-	-	-	-	-	-
-2	-	-	(8)	-	-	-	-	-	-
-1	-	-	(6)	-	-	-	-	-	-
1	-	(0)	-	(26)	-	-	(27)	-	(27)
2	50	(36)	-	(20)	-	(5)	(11)	(1)	(12)
3	57	(37)	-	-	(12)	(1)	8	(1)	6
4	157	(90)	-	-	(18)	(8)	42	(5)	37
5	132	(86)	-	-	(24)	(1)	22	(2)	19
6	185	(101)	-	-	(5)	(4)	76	(5)	71
7	128	(87)	-	-	(9)	(0)	34	(2)	32
8	128	(88)	-	-	-	(2)	39	(1)	38
9	89	(59)	-	-	-	2	30	(1)	29
10	-	-	-	-	-	7	4	-	4
11	-	-	-	-	-	-	(3)	-	(3)
Total	926	(585)	(26)	(47)	(68)	(13)	215	(19)	196

1. Includes working capital and reclamation fund.

2. Numbers may not add due to rounding.

A total of \$25.8 million in pre-development costs have been excluded from NPV and IRR calculations within the PEA. These pre-development costs relate to advanced exploration, resource conversion, baseline studies and permitting activities to be completed prior to mine construction (estimated to occur in Q1-2021) and are considered sunk costs.

Sensitivities of the Project NPV to the gold price, discount rate and other Project variables are presented in Table 3 and Table 4.

Table 3: After-Tax NPV Sensitivity to Discount Rate	
Discount Rate	After-Tax Project NPV (M \$)
5%	143
8%	119

Table 4: After-Tax Sensitivity Analysis to NPV _{5%} and After-Tax IRR						
	NPV _{5%}			IRR		
PEA Variable	-15%	PEA	+15%	-15%	PEA	+15%
	(\$ M)	(\$ M)	(\$ M)	(%)	(%)	(%)
Operating Costs	190	143	94	61	48	35
Capital Costs	156	143	130	58	48	41
Gold Price	50	143	232	22	48	70

The PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized.

Location

The Cove Project covers 700 acres and is in the center of the McCoy-Cove Exploration joint venture, 32 miles south of the Town of Battle Mountain, in the Fish Creek Mountains of Lander County, Nevada. It is centred approximately at 40°22' N and 117°13' W and lies within the McCoy Mining District. The Property hosts an historical open pit mine (Cove Pit), operated by [Echo Bay Mines Ltd.](#) (Echo Bay) between 1987 and 2001, which produced 2.6 million ounces of gold and 100 million ounces of silver.

The property benefits from significant historic geological datasets, local and regional networks that include its proximity to paved highways, electric power, and pre-existing mine infrastructure. Premier is proud of its relationships within local communities including the Town of Battle Mountain, which provides important manpower and services to the Property and serves as the location of its regional office.

Geology & Mineral Resources

The Cove Gold Project is in the central Nevada portion of the Basin and Range Province, which underwent regional extension during the Tertiary period that created the present pattern of alternating largely fault bounded ranges separated by alluvial filled valleys. Prior to this extension, central Nevada had been the site of numerous tectonic events, including at least two periods of regional compression. The property lies west of the central part of the Battle Mountain-Eureka Trend and hosts four distinct mineralization types: Carlin-style, polymetallic sheeted veins, carbonate replacement (Manto), and skarn. The Helen, CSD Gap and CSD deposits are Carlin-style deposits while the 2201-VG zone is comprised of steeply dipping

polymetallic sheeted veins.

Mineral resources were constrained using a cut-off grade of 0.149 oz/t Au. The Project mineral resources are summarized in Table 5.

Table 5: Mineral Resource Estimate							
tons (000)	Tonnes (t) (000)	Au (oz/ton)	Au (g/t)	Ag (oz/ton)	Ag (g/t)	Au ozs (000)	Ag ozs (000)
Indicated							
577	524	0.369	12.7	0.103	3.5	213	60
67	151	0.357	12.2	0.431	14.8	60	72
33D	273	0.229	7.9	2.556	87.6	69	768
2201		-	-	-	-	-	-
Total Indicated	948	0.327	11.2	0.861	29.5	342	900
Inferred							
400	1,355	0.335	11.5	0.118	4.1	500	177
731	1,570	0.317	10.9	0.457	15.7	549	791
33D	456	0.204	7.0	2.266	77.7	103	1,140
2061	277	0.596	20.4	1.140	39.1	169	350
Total Inferred	3,658	0.328	11.2	0.609	20.9	1,322	2,457

1. The effective date of the estimate is March 31, 2018.
2. Underground Mineral Resources are reported at a cut-off grade of 0.149 opt Au (5.11 g/t Au).
3. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, marketing, or other relevant issues.
4. Mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
5. The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an Indicated or Measured mineral resources.
6. Numbers may not add due to rounding.

Mining

The mine will be accessed by a single ramp extending from the surface (elevation 4625 ft) to the lowest

extent of planned mining (elevation 3430). The access ramp will be large enough to accommodate 30 ton trucks. A series of raises will provide secondary egress and ventilation. A mining contractor will extract the mineralization using drift and fill mining methods at an average rate of 1,270 tons per day.

Metallurgy & Processing

Metallurgical testing was completed by SGS Laboratories under the direction of Jacobs Engineering on behalf of Premier. Composite samples from the Helen and Gap zones underwent whole ore cyanidation testing, roasting and calcine cyanidation tests, and pressure oxidation with cyanidation of the residues. Results indicate that in general the Gap mineralization performs better with pressure oxidation and the Helen mineralization performs better with roasting. Recoveries were assigned to each mineralized lens from the associated composite test results. The recoveries stated herein represent a weighted average value for all mineralisation contained in the mine plan of 82.2% for gold and 21.5% for silver.

There are three roasting facilities and two pressure oxidation facilities located in northern Nevada which are amenable to processing the Cove mineralization. The PEA incorporates toll-milling arrangements with associated over-the-road trucking costs for both process methods.

Infrastructure

General infrastructure for the Project will include:

- Site access and haul roads are in place; upgrades and general maintenance required
- Electrical service is available from Nevada Energy; upgrades included for commercial production
- Waste rock storage facility
- Water settling pond
- Rapid infiltration basins
- Workshop is in place on surface; a smaller maintenance facility will be required near the portal
- Shotcrete and backfill plants
- Office and mine dry facilities for contractor mining
- Explosives and detonator storage areas
- Fuel storage and distribution
- Potable water and sewage systems
- Fire water systems
- Site security and fencing

Pre-Development and Capital Costs

The breakdown of pre-development and capital costs is provided in Table 6.

Table 6: Pre-Development and Capital Cost			
	Pre-Development (\$M)	Mine Construction (\$M)	Sustaining (\$ M)
Environmental and Permitting	2.9	1.5	1.0
Helen Dewatering	2.1	12.0	2.7
Gap Dewatering	2.1	0	28.7
Electrical Service and Powerline	1.0	3.1	-
Mine Development Helen	5.9	18.4	15.4
Mine Development Gap	-	0.3	13.6
Mine Facilities	1.3	5.8	1.3
Pre-Production Expense	4.2	1.9	0
Mobile Equipment	-	-	-
Resource Conversion Drilling	4.4	-	-
Contingency (15% Excluding Drilling and Development)	2.0	3.6	5.1
Total	25.8	46.6	67.7

Sustaining capital is required during operations for mine development, dewatering, and other underground infrastructure.

Operating Costs

The average operating cost is \$788/oz Au or \$198.81/t milled over the LOM. The AISC, which includes royalties, closure, reclamation, and sustaining capital costs, averages \$897/oz Au. Table 7 presents the LOM operating costs.

Table 7: Life-of-Mine Operating Cost Summary			
Category	Total Costs (\$ M)	Unit Cost (\$/t milled)	Cost per Ounce (\$/oz Au)
Mining	270	92.05	365
Transportation & Processing	221	75.24	298
G&A, Royalties and Net Proceeds tax	94	32.19	128
By Product Credits	(2)	(0.66)	(3)
Total Operating Cost	583	198.81	788
Closure & Reclamation	13	4.36	17
Sustaining Capital	68	23.10	92
All-in Sustaining Cost	664	226.27	897

A 1.5% net smelter royalty ("NSR") is payable to [Newmont Mining Corp.](#).

Permitting

The Cove Project is fully permitted under an Environmental Assessment ("EA") to develop an exploration ramp, complete underground diamond drilling, and to test mine up to 120,000 tons of potentially economic mineralization. The PEA assumes that a new EA will be required in order to dewater ahead of mining in the Helen Zone. The collection of baseline data, permitting, and bonding is predicted to be completed in Q1 2021. It is expected that an Environmental Impact Statement ("EIS") will be required in order to dewater ahead of mining in the Gap Zone. Collection of baseline data, permitting, and bonding for the EIS is predicted to be completed in Q2 2024. These timelines may be accelerated pending the interpretation and implementation of recent guidelines given to regulatory agencies by the federal government in the United States.

Next Steps

The focus for the remainder of 2018 and 2019 includes refinement of the hydrological model and development of an exploration decline to support underground diamond drilling to upgrade and add to mineral resources. Baseline studies, permitting, and a feasibility study are planned for 2019-20.

A technical report for the Cove Project will be prepared in accordance with National Instrument 43-101 and will be filed on SEDAR at www.sedar.com and on the Company's websites within 45 days.

All abbreviations used in this press release are available by following this link ([click here](#)).

Investor Day – May 15, 2018

Premier would like to cordially invite all analysts, investors and interested people to an investor day to highlight exploration and development initiatives completed by the Company to date and discuss plans for the remainder of the year. The meeting will be held today, Tuesday May 15, 2018 at 10:00am EDT at the Toronto Board of Trade, 1 First Canadian Place. For those that cannot attend in person a webcast and

conference call dial-in are available.

Details for the conference call and webcast can be found below and will be accessible on the Company's website.

Toll Free (North America): 1-888-231-8191
International: 1-647-427-7450
Conference ID: 4262118

Investor Day Webcast Link
<https://event.on24.com/wcc/r/1658624/8401841F6E9EA071503AA06A24BE1B5D>

Investor Day Conference Call Replay

The conference call replay will be available from 3:00pm EDT on May 15, 2018 until 11:59 pm EDT on May 22, 2018.

Toll Free Replay Call (North America): 1-855-859-2056
International Replay Call: 1-416-849-0833
Passcode: 4262118

Qualified Person & QA/QC

Scientific and technical information in this press release has been reviewed and approved by Mark Odell, P.E. (NV Lic#13708) of Practical Mining LLC, an "independent qualified person" within the meaning of National Instrument 43-101.

Notes:

i. A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of the Q1-2018 Management Discussion and Analysis.

Non-IFRS Measures

The Company has included certain terms and performance measures commonly used in the mining industry that are not defined under International Financial Reporting Standards ("IFRS") within this document. These include: cash cost per ounce sold, all-in sustaining cost ("AISC") per ounce sold, earnings before interest, tax, depreciation and amortization ("EBITDA"), free cash flow, capital expenditures (growth), capital expenditures (sustaining) and average realized price per ounce. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore, they may not be comparable to similar measures employed by other companies. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements. Readers should refer to the Company's Management Discussion and Analysis under the heading "Non-IFRS Measures" for a more detailed discussion of how such measures are calculated.

[Premier Gold Mines Ltd.](#) is a gold producer and respected exploration and development company with a high-quality pipeline of precious metal projects in proven, accessible and safe mining jurisdictions in Canada, the United States, and Mexico. Premier's team is focused on creating a low-cost, mid-tier gold producer through its two producing gold mines; and two advanced multi-million ounce development projects where permitting and pre-construction initiatives are in progress.

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 strategic plans, including 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 and statements about the results of economic analyses in respect of the Cove Project (including those contained in the PEA) and the timing, extent and success of mining operations. 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.

SOURCE [Premier Gold Mines Ltd.](#)

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