

# Prime Resources

## Success at B.C.'s Eskay Creek

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**T**he Eskay Creek story is one of B.C.'s best mining success stories and it just keeps getting better. When the Eskay Creek gold and silver discovery was made in the late 1980s, it sparked a significant exploration rush in British Columbia. Since then, volumes have been written about the Prime Resources Group Inc. (TSE, VSE, AMEX: PRU) and their stalwart producer.

In a depressing era of declining gold prices, bankruptcies and closing mines, Prime reports an increase of 20% over last year in revenues from dore, concentrate and ore sales for the first quarter of 1998.

At the 100% owned Eskay Creek mine the \$4.5 million exploration program undertaken in 1997 replenished the ore reserves back to pre-production tallies. A company report states, "At January 1, 1998 we had more ounces of gold and silver in reserves at Eskay Creek than we had when the mine commenced commercial production three full years ago." Diluted mineable ore reserves are 1.50 million tons at 1.69 ounces per ton gold, 78.3 ounces per ton silver, or approximately 2,532,000 ounces of contained gold and 117.0 million ounces of contained silver.

This year Eskay Creek is expected to produce 245,000 payable ounces of gold and 11 million payable ounces of silver, at a total cash cost of US \$161 per gold equivalent ounce. Not only is Eskay Creek one of the highest grade gold and silver mines in the world, it is the world's third largest silver producer, and is also one of the lowest cost gold producers in Canada. Eskay

Creek is not just a success story for B.C., but for the whole country.

Until January 1, 1998, Eskay's ore was sold through long term contracts to smelters in Japan and Eastern Canada. This decision to direct ship ore was made right at the onset of production when market conditions rendered smelters more competitive for sources of feed.

Last year a 165-ton per day, gravity/flotation mill was conceived, approved and constructed in less than a year, within budget and ahead of schedule. The mill is expected to improve the profitability of certain Eskay Creek ore and to permit treatment of mineralized material that was previously uneconomical. The company estimates 87% of the precious metals in the ore processed through the mill will be recovered.

Twenty-five miles to the northwest is Prime's 100% owned Snip gold mine. The Snip commenced production January 1st, 1991 and at that time was owned 60% by Cominco and 40% by Prime. In 1996, Prime bought out Cominco and became sole owner.

But the Snip mine, unfortunately, is facing its final curtain call. The cost of getting the ore out of the ground is rising as the stopes become more narrow. Last year the total cash cost per ounce of gold was higher than the previous year. And the 1997 \$2.5 million surface and underground exploration program failed to add significantly to the ore reserves. So the Snip mine is expected to cease operation in the second quarter of 1999. The company has submitted, and is awaiting approval of, final reclamation plans.

Prime Resources Group has a corporate philosophy regarding mine site reclamation. The company practices progressive reclamation: as soon as lands are no longer needed for mining, they are reclaimed. Reclamation work at the Snip and Eskay Creek is up to date. In 1997, the company was awarded the British Columbia Mining Association and the Ministry of Employment and Investment Exploration Reclamation Award for work done at Eskay Creek.

The nature of mining demands a constant search for more ore bodies. As soon as a mine begins production, it heads down the slope towards closure. Although Eskay Creek has an expected life of another 10 years, extensive exploration is ongoing in the neighbourhood for another deposit. Prime has, in that light, an agreement to purchase a 70% interest in the 16,400 acre exploration site on Kenrich's Corey property. Now known as the Prime block, it sits just south of Eskay Creek and contains an eight-mile length of prospective Eskay Creek type stratigraphy. The gold bearing lithology is a mudstone located in close proximity to an underlying rhyolite which is a geologic environment similar to Eskay Creek.

Homestake Canada Inc., a wholly owned subsidiary of Homestake Mining Company (San Francisco, NYSE: HM), owns approximately 51% of Prime's shares and has been contracted by Prime to provide exploration management, managerial and administrative services. Homestake has submitted an offer to purchase the remaining 49% of Prime Resources Group Inc. ✕