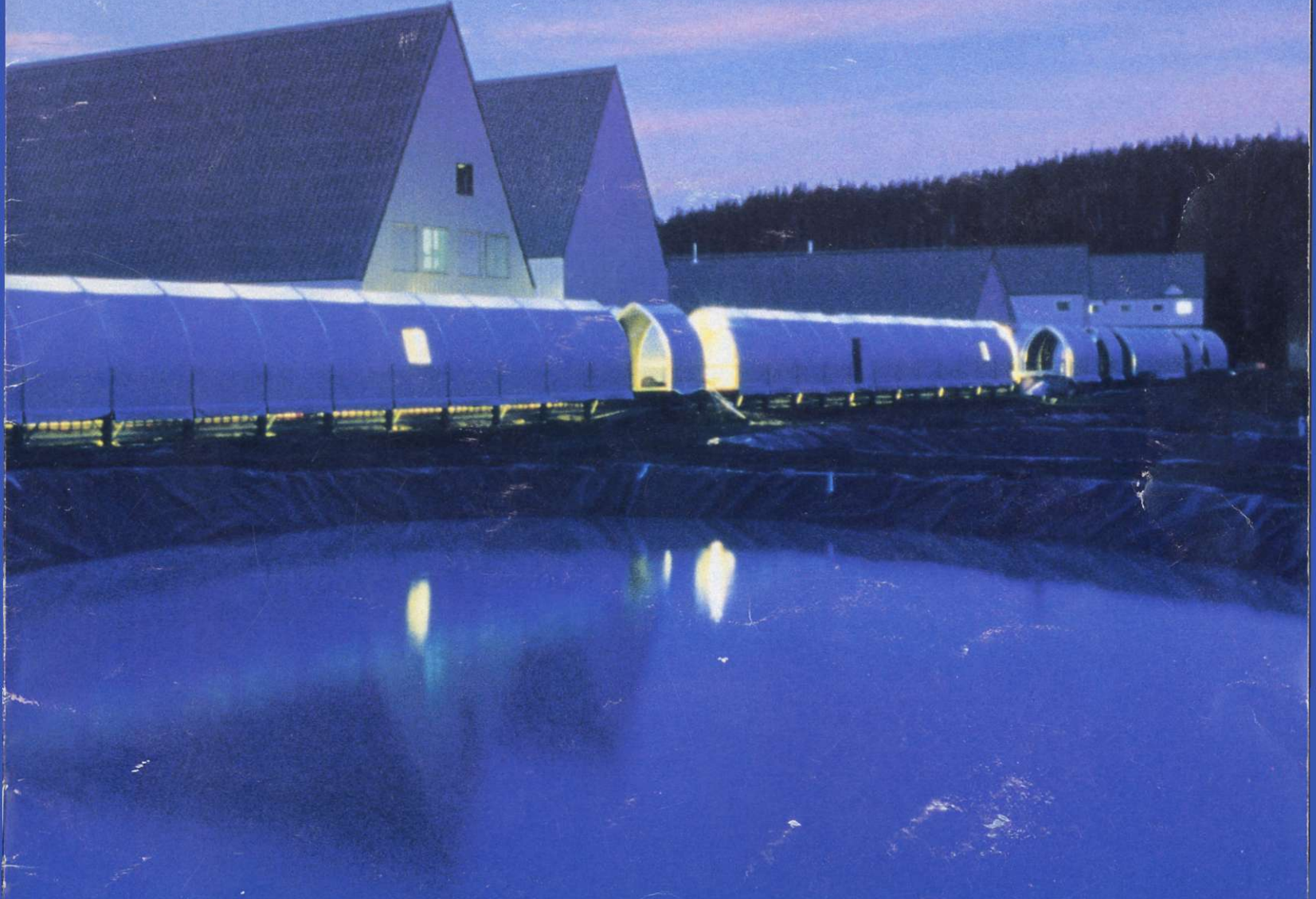


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# Eskay Creek turning the dream into reality



Eskay Creek is a true success story. Through the efforts of Prime Resources Group Inc. and Homestake Mining Company, the mine will produce gold and silver for years to come.





**History** In a small valley of northern British Columbia, early prospectors first discovered and staked the mineral deposit that would become Eskay Creek. In 1932, a syndicate directed by Tom Mackay explored and identified more than 30 ore zones in a region near the Iskut River. When Mackay spotted the rust-colored ridge and began his search, he had no idea what fortunes lay beneath the surface, a mere 10 feet away from where he first drilled.

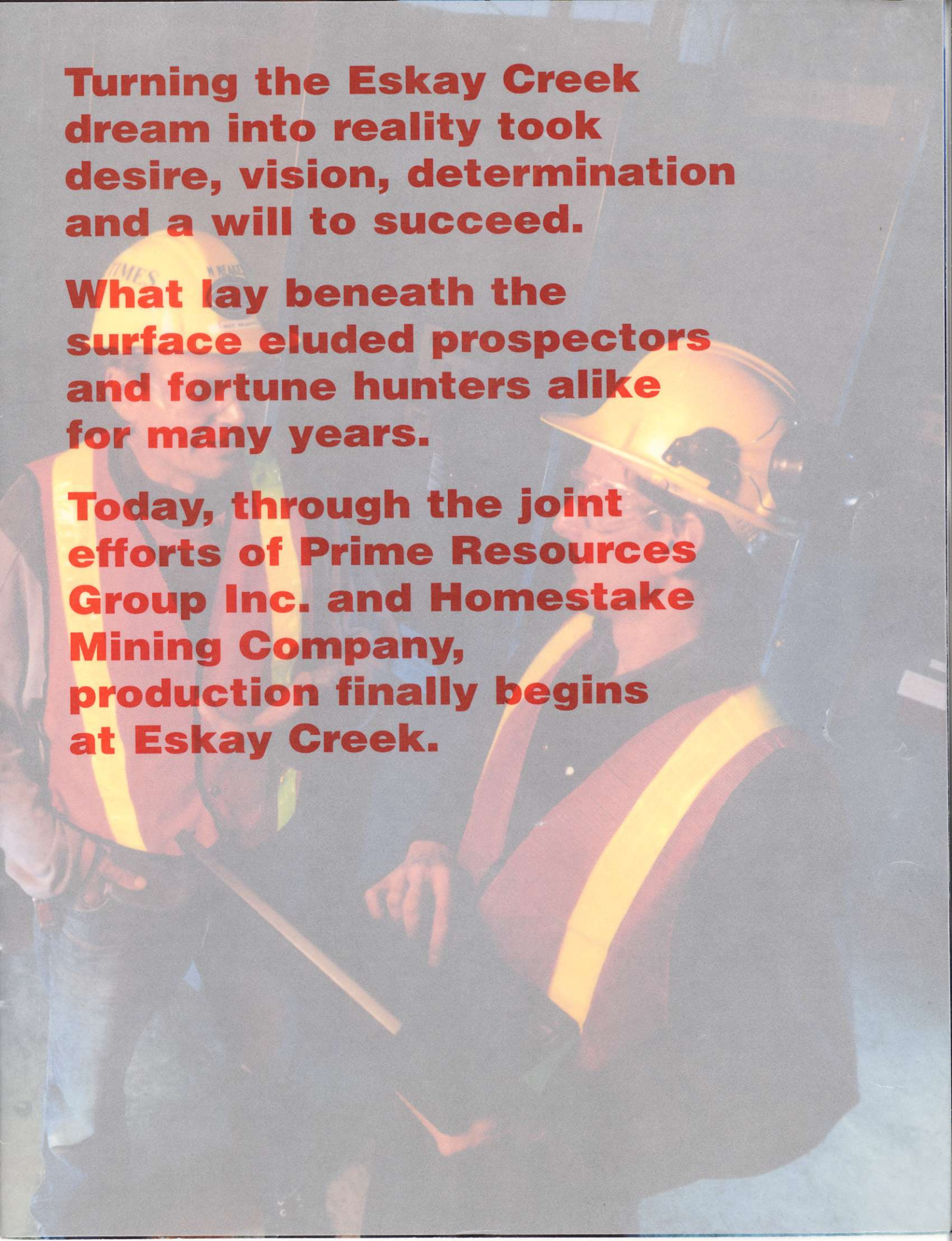
Prospecting by Mackay and others ebbed and flowed in rhythm with the movements in the gold price for the next 50 years. It was not until 1988 that a small joint venture formed by Mackay discovered Eskay's '21 Zone.' Through that winter, drilling continued to discover higher and higher grade areas. As the world learned more about Eskay's significance, competition intensified for ownership of North America's highest-grade gold deposit. Eventually senior gold mining companies became interested and International Corona prevailed as majority owner.

When Homestake acquired Corona in 1992, one key reason was the richness of the Eskay Creek ore body. Homestake began to build on Corona's efforts to design a processing plant for the complex ores. At the same time, changing market conditions made smelters more competitive for sources of feed. By selecting the option to sell ore directly to smelters, capital costs for Eskay's completion were reduced by C\$150 million and production was accelerated by more than a year. As a result of having seized this opportunity, investors will realize profits more quickly than earlier anticipated.

The permitting process involved meetings between the Company, local residents and First Nation representatives which culminated in the receipt of a Mine Development Certificate on March 31, 1994.

**Eskay Creek is a true success story. It epitomizes the will to succeed as evidenced by the early prospectors, the promoters and now the operators of today's mine. As production begins, Eskay Creek retains its title as 'highest-grade gold discovery of recent times'.**



A photograph of two men in mining attire. They are wearing yellow hard hats and high-visibility orange safety vests with reflective yellow stripes. They are looking down at a document or plan they are holding together. The background is a dimly lit industrial or construction site.

**Turning the Eskay Creek  
dream into reality took  
desire, vision, determination  
and a will to succeed.**

**What lay beneath the  
surface eluded prospectors  
and fortune hunters alike  
for many years.**

**Today, through the joint  
efforts of Prime Resources  
Group Inc. and Homestake  
Mining Company,  
production finally begins  
at Eskay Creek.**







# Permitting & Construction

From initial discovery, through the various stages of development to commercial production, the driving force behind the Eskay Creek project has been its people. Without their energy, skill and will to succeed, the value of Eskay Creek never would have been recognized.



## Permitting

After a thorough public consultation process in which technical and environmental issues were reviewed, the Eskay Creek project received a Mine Development Certificate in March 1994. Cooperation with the various agencies led to the early identification of issues and timely completion of the Government's review.

## The Project Team

The project team brought together geologists, who defined the deposit; engineers, who designed the facilities; and tradesmen and laborers, who built the plant and maintained the roads. All brought their special skills to the achievement of a single goal – the safe and environmentally responsible construction of a remote mining and processing facility. The contributions of the local residents, particularly the First Nations, were

integral to the successful completion of the construction. Skilled employees of the Tahltan Nation Development Corporation provided more than 40% of the labor to construct the mine facilities and access road. With construction now complete, the task of continuing the success falls on the shoulders of the 100 full-time and contract employees.

## The Mine

Because of the ore body's general geometry and mineralogy, mechanized drift and fill was selected as the preferred mining method. Accessed by ramps, the Eskay Creek deposit will be mined 365 days a year. Although very high grade, the operation is relatively small, producing only 330 tons of ore per day.

The variable high-grade nature of the ore body and the requirement to tightly control the ore specifications have made it necessary to develop the mine from multiple production headings. Consequently, the ore body has been divided into twelve stopes. Access to the first four of these stopes was completed in 1994.

Extensive use of diamond drilling provides Eskay geologists with the exact location of boundaries between ore and waste. By

utilizing this information, they can more effectively direct mining activities and thereby control the ore grade.

Ore is transported to surface in 15-ton trucks. When a section of a stope is depleted, a mixture of cemented sand and gravel is trucked underground to backfill the mined out area. When the backfill has cured, mining begins on the adjacent or overlying section.

## Ore Processing and Transportation

Eskay Creek ore is sold to smelters in Japan and eastern Canada under long-term contracts. The sales price for each ton of ore is determined by its gold and silver content less deductions for treatment, refining and penalty elements. Strict blending control is exercised to take full advantage of the differences in the smelter terms and to avoid excessive penalties.

Once ore is moved to the surface, it is first passed through a jaw crusher and then through an impact crusher to reduce its size. The ore is weighed, sampled, blended and segregated into lots. Throughout the process, gold, silver and other elements are carefully tracked to ensure conformity with smelter contract specifications.

Specially designed haulage trucks are loaded with ore, then covered and weighed before they begin the next leg of the journey.

# 1992





Depending on the ultimate destination, ore is either shipped to a railhead storage site at Kitwanga, B.C. or to a ship loading facility at the Port of Stewart, B.C.

Because of the high precious metal content, managing the ore flow and inventory levels at the various locations is very important. At any one time, as much as 20,000 tons of ore could be enroute between the minesite, the transshipment facilities, the railway and cargo ships. Timely payment for each lot depends not only on accurate weights and assays, but also on the prompt delivery of each lot.

### **The Plant and Equipment**

An integrated facility was designed and constructed to support mining, processing and transportation. The operation's structures include: a housing complex for 109 people, a diesel powered electrical generation plant, a backfill plant, surface maintenance shops, covered ore storage



Development progresses on surface and underground

structures, a state-of-the-art assay laboratory, a combination two story mine administration building and a tank farm for fuel storage.

A satellite telephone provides the primary communication link. In addition, a radio repeater which is located on a nearby mountain top provides Eskay with two-way radio contact. By being in contact with the ore haul trucks and other vehicles, this system helps ensure safe and efficient use of the road. Prime has negotiated a contract with the Tahltan Nation Development Corporation to maintain the road and keep it free from snow in 1995.

Mine planning, engineering, purchasing, preventative maintenance scheduling and general data processing are performed at the mine site. With the assistance of sophisticated computer systems, the professional staff provides the services to keep the ore moving.

### **The Future**

On January 12, 1995, the Eskay Creek project team passed another major milestone when the first ore shipment left Stewart for Japan. Just one year after completing the feasibility report, commercial production had been achieved both on time and under budget. Within days of the first lot of 5,800 tons being shipped, the second lot was on its way by rail to eastern Canada.

While proud of this accomplishment, it represents only the first step. The challenges ahead are equally important. It will take several months of continuous operation to reach full production levels and peak efficiency. Eskay Creek's operations team, with its significant contingent of local residents and First Nations members, continues the search for methods to reduce costs and enhance revenues as mining progresses through this extremely rich ore body.

Maximizing the value from this high-grade ore will require the staff's continued ingenuity and dedication. Eskay Creek presents special challenges such as its remote location, the difficult weather conditions and the complexity of the ore body, but we believe that this small, yet diverse group of people are more than equal to the task.



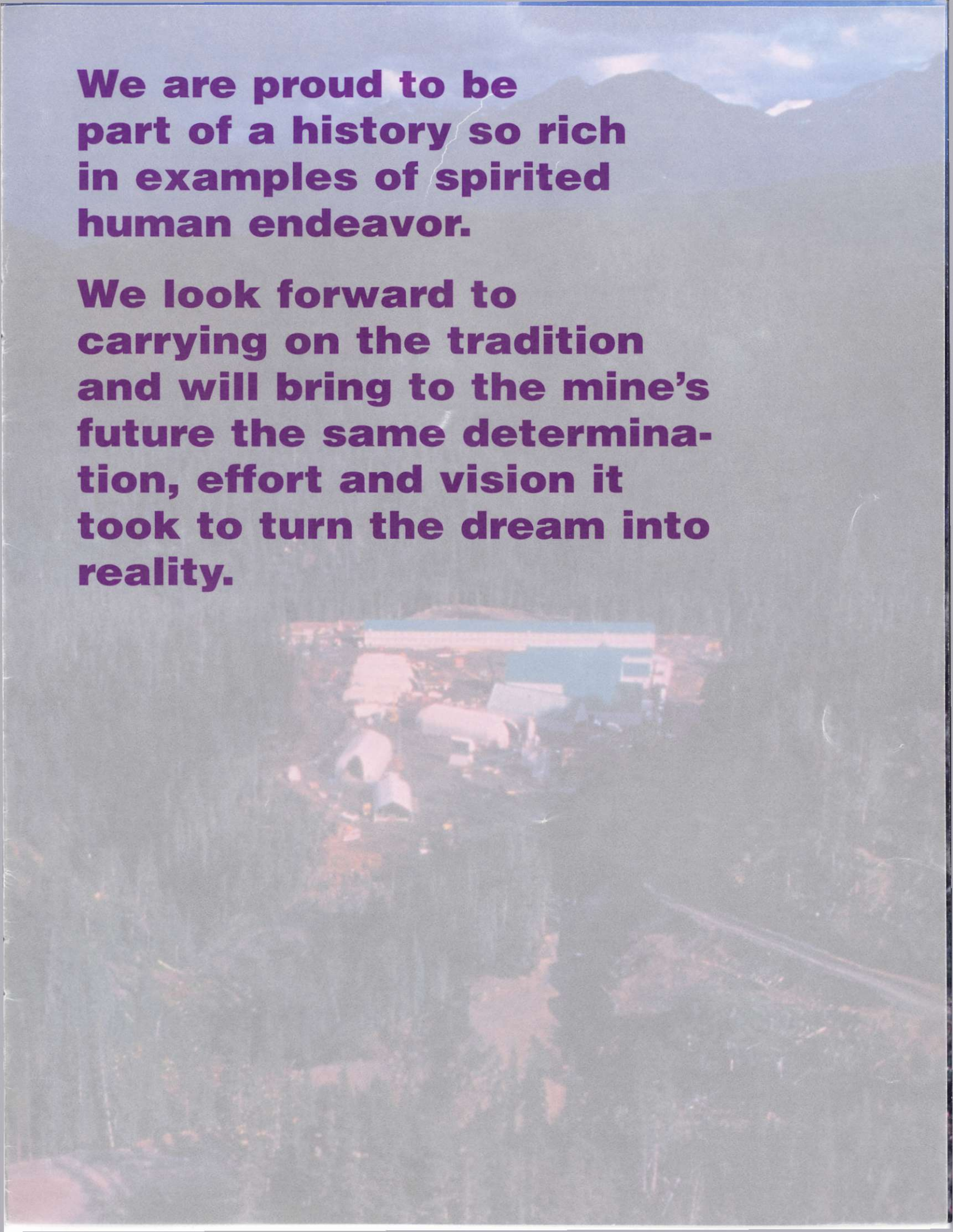
# 1994

Completed Eskay Creek mine camp

# Eskay Creek Mine Fact Sheet

<b>Property</b>	The Eskay Creek project consists of five mining leases (ML 449, ML 471, ML 472, ML 450, IKS 1) comprising approximately 3,477 acres.
<b>Mine Location</b>	Fifty-one (51) air miles (83 km) north of Stewart, B.C.
<b>Owner/Operator</b>	100% owned by Prime Resources Group Inc. Homestake Canada Inc. is 50.6% owner of Prime and is the operator under contract to Prime.
<b>Access</b>	A 37-mile (61 km) gravel road connects the mine to Highway 37. Ore is trucked 165 miles (262 km) to Stewart, B.C. and 220 miles (358 km) to Kitwanga, B.C. The nearest commercial airport is Smithers, B.C.
<b>Geology</b>	Mineralization in the deposit lies within a contact unit dipping approximately 45 degrees to the west, consisting of a highly carbonaceous upper mudstone layer and a rhyolite-mudstone breccia. The lower two stratigraphic layers consist of rhyolite and dacite units. Mineralization is high-grade gold and silver-bearing base metal sulphides, primarily sphalerite, tetrahedrite, pyrite and galena.
<b>Metals</b>	Gold and silver.
<b>Proven and Probable Reserves</b>	1.19 million tons at 1.91 ounces of gold per ton and 85.5 ounces of silver per ton which includes a dilution factor of 27%. Reserves at December 31, 1994 contain 2.3 million ounces of gold and 101.8 million ounces of silver.
<b>Mine</b>	Production will average 330 tons (300 tonnes) per day except in the initial production year when the production rate will average 270 tons (245 tonnes) per day. Underground mining will use the mechanized drift and fill method. Remote camp has 2-week-in and 2-week-out shift rotation.
<b>Ore Preparation</b>	Crushing and blending at minesite followed by shipment to smelters by road, rail or ocean freight.
<b>Ore Sales</b>	Ore shipments and sales are based upon long-term contracts with yearly quantity commitments of 44-55,000 tons (40-50,000 tonnes) to a Japanese smelter and 55-77,000 tons (50-70,000 tonnes) to a Canadian smelter.
<b>Production</b>	Commercial production began in January 1995. Estimated first year production is 170,000 payable ounces of gold and 7.3 million payable ounces of silver or 270,000 ounces of gold equivalent. Estimated cash cost per ounce of equivalent gold is US\$185 (inclusive of third party smelting costs).
<b>Life of Mine</b>	Approximately ten years.





**We are proud to be part of a history so rich in examples of spirited human endeavor.**

**We look forward to carrying on the tradition and will bring to the mine's future the same determination, effort and vision it took to turn the dream into reality.**

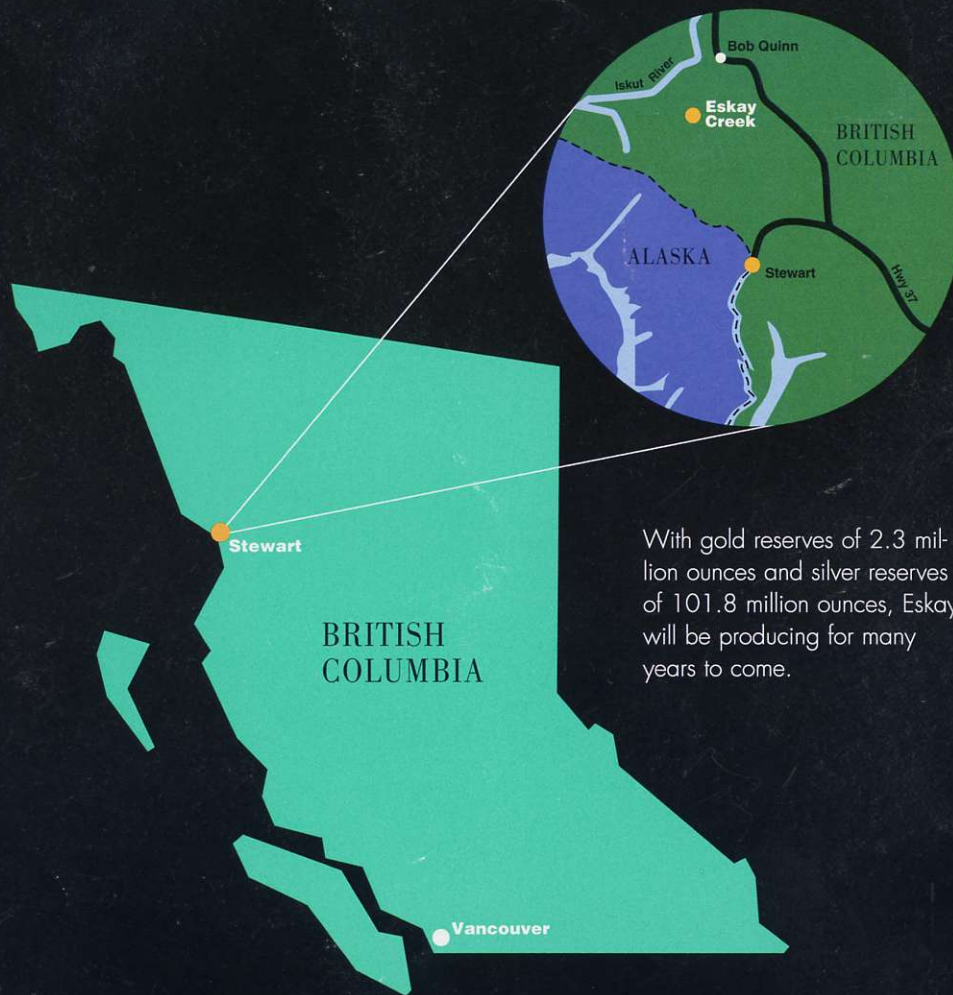






# Eskay Creek Mine

a very high-grade gold and silver mine



With gold reserves of 2.3 million ounces and silver reserves of 101.8 million ounces, Eskay will be producing for many years to come.



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