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George Cross News Letter

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NO. 35 (1994)
FEBRUARY 21, 1994

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HOMESTAKE MINING COMPANY [HM-NYSE] PRIME RESOURCES GROUP INC.

[PRU-T,V] 57,030,025 shs.

ESKAY CREEK PLAN REPORTED - Jack E. Thompson, president, Prime Resources Group Inc., and Homestake Mining Company have reported the selection of a development plan for the high grade Eskay Creek gold/silver project in northwestern B.C. SEE MAP OVERLEAF P.1. The plan includes development of a 330-400 tons per day underground mine with transport and sale of the ore to smelters in Canada and elsewhere.

The production decision follows the completion of a second feasibility study confirming the economic viability of the direct sale of Eskay Creek ore to smelters. The first feasibility study completed in August 1993 confirmed the economic viability of a process using a pressure oxidation (autoclave) circuit in an owner-built plant.

Eskay Creek is a high grade gold deposit with metallurgically complex ore. As currently defined, the ore deposit contains 2,300,000 ounces gold and 102,000,000 ounces silver. The plan proposes an annual mining rate of 120,000 tons of ore containing about 210,000 ounces of gold and 9,400,000 ounces of silver. The mine life is estimated to be 10 years based on contemplated mining rates and current reserves. Capital costs to complete the project are estimated at CDN \$75,000,000 (US \$60,000,000) including allowances for contingencies and working capital. Cash operating costs in 1994 dollars are projected to be CDN \$307 per metric tonne (US \$223 per short ton) of ore or about US \$81 per ounce of gold equivalent contained. Since Prime will be selling the ore to smelters, these costs do not include smelting and refining charges.

For comparative purposes, if the ore purchase terms from the smelters are restructured to show gold and silver payables as revenue (analogous to recovery in a treatment plant) and the combined smelting and refining charges were presented as cash operating costs, the reported cost per ounce of gold equivalent would be US \$187.

Mr. Thompson said, "The key element in the decision was the reduction in risk for Prime and its shareholders. Capital requirements drop by some CDN \$190,000,000 (\$US 150,000,000) compared to a revised autoclave option estimate. The technical risks associated with building and operating a complex plant are also avoided. The project has robust economics, and will be one of the lowest cost producers in the industry."

Prime is negotiating with a number of smelting companies interested in the Eskay ore. Letters of intent have been signed which will form the basis for formal contracts with two of the smelters. Final commitments are expected to be in place by mid-1994.

An application for a mine development certificate was filed in November 1993. The mine site development of both options is identical. Assuming timely receipt of the certificate, construction would begin immediately thereafter and commercial production could begin in early 1995. Mr. Thompson added that the company has received excellent cooperation from the regulatory authorities throughout the permitting process. He said the decision to choose the smelter option was based solely on economic considerations.

Prime is a gold mining company with a 40% interest in the Snip

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mine located in northern B.C. in addition to its 100% interest in Eskay Creek. Homestake owns about 54% of the Prime shares outstanding and will act as operator of the project.

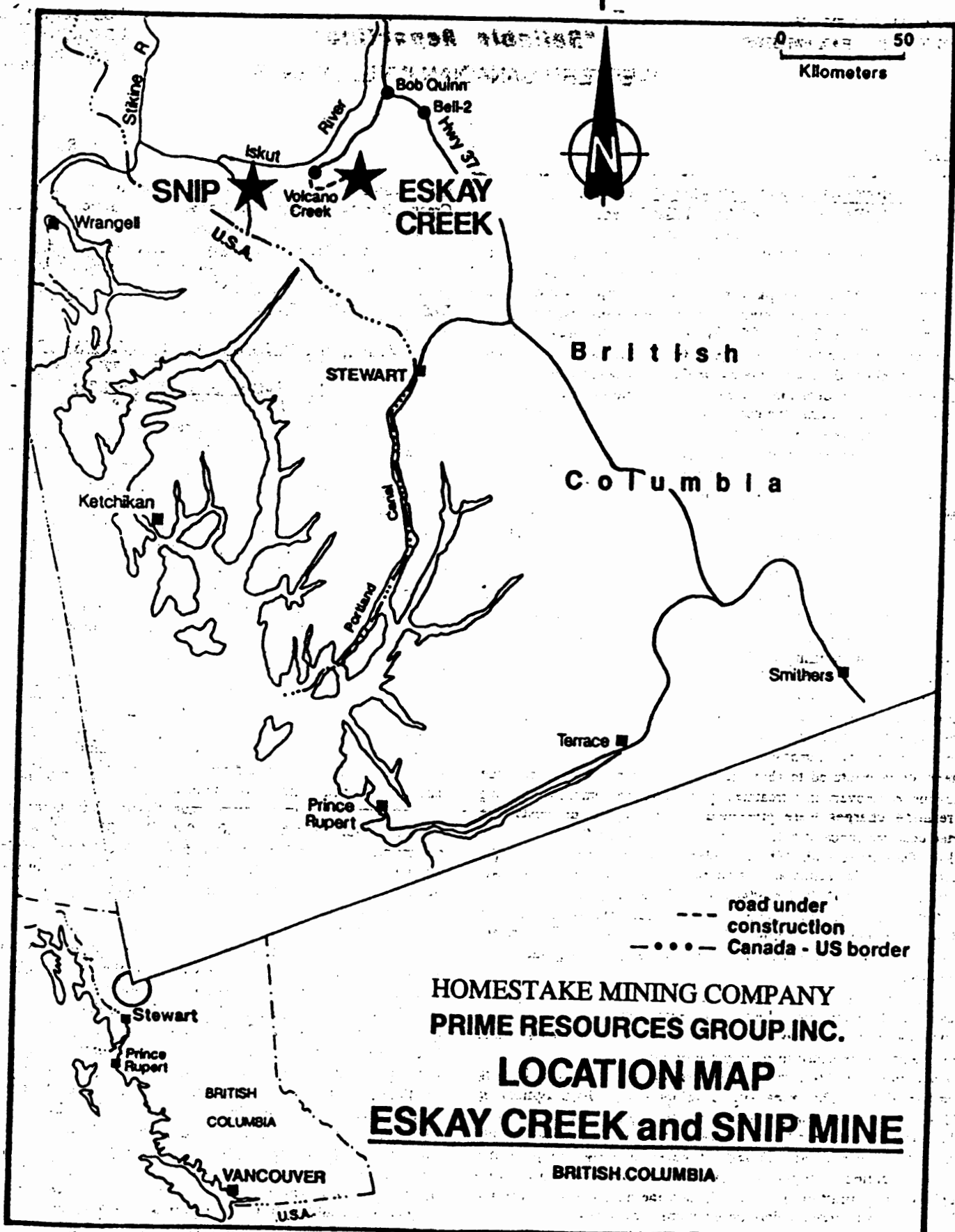
Homestake Mining Company forecasts 1994 gold production of 1,700,000 ounces and cash operating costs which averaged US \$231 per ounce in 1993. (SEE GCNL NO.33, 17Feb94, P.1 FOR PRIME RESOURCE GROUP YEAR-END REPORT)

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