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George Cross News Letter

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WESTERN CANADIAN INVESTMENTS

FEB 14 1997

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 SUBSCRIPTION RATE
 \$350.00 + GST

NO. 30 (1997)
 FEBRUARY 12, 1997

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 E. M. P. R. FEBRUARY 12, 1997

PRIME RESOURCES GROUP INC.

[PRU-T, V] 71,073,913 SHS.

YEARS ENDED DECEMBER 31, 1996	1995	
REVENUE	\$204,587,000	\$158,148,000
COSTS/EXPENSES	113,521,000	83,930,000
NET INCOME	42,052,000	36,514,000
NET INCOME PER SHARE	55¢	48¢
AVG. SHARES USED IN THE COMPUTATION	76,074,000	76,074,000

PRODUCTION HIGHLIGHTS

YEARS ENDED DECEMBER 31, 1996 1995

PRODUCTION (OZ) (1)

ESKAY CREEK MINE

GOLD 211,276 196,544

SILVER 12,054,161 9,945,345

SNIP MINE (2)

GOLD 101,827 51,310

TOTAL GOLD & GOLD EQ. 474,106 382,610

TOTAL CASH COSTS (US\$/OZ GOLD EQ.)

ESKAY CREEK MINE \$170 \$185

SNIP MINE \$190 \$176

AVG. TOTAL CASH COSTS \$174 \$184

(1) GOLD AND SILVER ARE ACCOUNTED FOR AS CO-PRODUCTS AT ESKAY CREEK. SILVER IS CONVERTED TO GOLD EQUIVALENT, USING THE RATIO OF THE SILVER MARKET PRICE TO GOLD MARKET PRICE. THIS RATIO WAS 74.9 OUNCES OF SILVER AND 73.5 OUNCES OF SILVER EQUALS ONE OUNCE OF GOLD FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995.

(2) EFFECTIVE 30APR96 PRIME INCREASED ITS INTEREST IN THE SNIP MINE TO 100% (40% AT 31DEC95).

HIGHER 1996 EARNINGS/PRODUCTION - Ronald D. Parker, president, Prime Resources Group Inc., reports net income for the year ended 31Dec96 increased 15% compared to net income for 1995. On 30Apr96 Prime purchased for \$53,500,000 the remaining 60% of the Snip Mine in northwestern BC it did not already own. This transaction has had a significant impact on Prime's financial and operating results.

Revenues from gold and ore sales increased 28% to \$198,700,000 in 1996 compared to \$155,900,000 in 1995. The increase in gold and ore sales revenues was due to a 12% increase in gold equivalent production from the 100% owned Eskay Creek mine north of Stewart, northwest BC and the acquisition of the additional interest in the nearby Snip mine. The average realized gold price in 1996 increased to US \$388 per ounce from US \$385 per ounce in 1995, while the average realized silver price remained relatively unchanged at US \$5.18 per ounce.

About one-third of Prime's sales revenues was attributable to Eskay Creek silver production. The mine produced over 12,000,000 ounces of silver in 1996, a 21% increase as compared to 1995. Prime remains one of the largest silver producers in the world. Cash and short-term investments were \$125,500,000 at 31Dec96 compared to \$69,100,000 a year earlier. Cash flow from operations before working capital adjustments was \$84,900,000 in 1996 compared to \$92,500,000 in 1995. This decline was directly related to a significant increase in the proportion of taxes which must be paid currently. At 31Dec96 the majority of the company's tax pools had been used.

Mining Operations: In its second full year of operations the Eskay Creek mine sold ore containing 211,276 payable ounces of

gold and 12,054,161 payable ounces of silver. On a gold equivalent basis this represents 372,279 ounces compared to 331,300 ounces produced in 1995. Increased ore sales and higher gold and silver ore grades accounted for the 40,979 equivalent ounce increase in production. Total cash costs at Eskay Creek were down 8% from 1995. Productivity gains, increased production and reduced underground development work contributed to the decline in cash costs. Ore sale volumes and gold and silver ore grades for 1997 are expected to be similar to the levels realized in 1996.

Prime's share of production at the Snip mine was 101,827 ounces in 1996 compared to 51,310 ounces in 1995. The significant increase reflects the company's increased ownership of the mine. As anticipated, total cash costs for the year increased to US \$190 per ounce, compared with US \$176 in 1995. By the end of 1996 about 70% of the ore processed was extracted using more labour intensive mining methods as compared to 30% during 1995. The transition from predominantly mechanized to predominantly conventional mining has now been completed and total cash costs are expected to stabilize in 1997 at current levels.

Amortization and depreciation charges relating to the Snip mine increased sharply in 1996 reflecting the unit of production amortization of the purchase price, based on proven and probable reserves. With the recently announced upgrade of Snip's geological resources to proven and probable reserves it is anticipated that these charges will decrease significantly in 1997.

During the fourth quarter the company was notified Westmin Resources Ltd. was closing its facility in Stewart and would be unable to fulfill its obligations to purchase Snip concentrate. Subsequently, Prime negotiated a new concentrate sales contract with an alternate purchaser. The first shipment under the new contract was made in early December. However, a significant inventory of gold concentrate accumulated while a contract with an alternate purchaser was being finalized. It is expected to take up to nine months to reduce Snip's concentrate inventory to normal levels.

Exploration: Exploration expenditures were \$8,900,000 in 1996, a four-fold increase over 1995. Surface and underground drilling programs at the Snip and Eskay Creek mines accounted for the majority of this planned increase.

At Eskay Creek, exploration expenditures totalled \$5,200,000 in 1996 as surface and underground exploration drilling exceeded 35,000 metres. At Snip over 15,000 metres of exploration drilling were completed at a cost of \$1,800,000. These two programs were successful in adding significantly to Prime's ore reserves and geological resources in 1996. During 1996 Prime added over 1,000,000 ounces of gold equivalent to reserves and resources. This includes a 34% increase in proven and probable reserves, before considering production in 1996.

Prime, together with joint venture partner, Homestake Canada Inc., participated in exploration programs in the Yukon, southern BC, Ontario and Quebec. Prime has an exploration program planned for 1997 with Phase one to cost about \$6,000,000. **HOMESTAKE MINING COMPANY** [HM-NY] owns about 51% of Prime's outstanding shares. (SEE GCNL NO.25, 5Feb97, P.1 FOR PRIME ORE RESERVE REPORT)

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