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George Cross News Letter

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\$350.00 PER YEAR

NO. 36 (1998)
FEBRUARY 20, 1998

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PRIME RESOURCES GROUP INC.

[PRU-T, V, AMEX] 76,073,913 SHS.

YEAR ENDED DECEMBER 31,	1997	1996
REVENUES	\$212,146,000	\$204,587,000
COSTS & EXPENSES	142,084,000	113,521,000
NET INCOME	30,689,000	42,052,000
EARNINGS PER SHARE	40¢	55¢

RECORD PRODUCTION FOR 1997 - Ronald Parker, president, Prime Resources Group Inc., reports financial and production results for the year ended 31Dec97. The company owns both the Eskay Creek and Snip gold mines located north of Stewart, northwest BC. Total production of gold and gold equivalent contained in ore, doré and concentrates sold increased by 12% to a record 532,947 ounces in 1997 compared with 474,106 ounces in 1996. Total cash costs, which include third party smelter costs, declined 3% to US \$169 per gold equivalent ounce in 1997 compared with US \$174/oz in 1996.

Revenues from product sales in 1997 increased 4% compared to 1996. Increased gold equivalent production and the sale and drawdown of Snip concentrate inventory more than offset the decline in gold and silver prices. Prime's average realized gold price in 1997 decreased US \$57/oz to US \$331 and the average realized silver price decreased US 29¢ to US \$4.89/oz compared to 1996.

About one-third of the product sales revenue in 1997 was attributable to Eskay Creek silver production. The mine produced 11,800,000 ounces of silver in 1997, compared to the 12,000,000 ounces in 1996, making the operation one of the largest silver producers in the world.

Cash flow from operating activities decreased to \$51,700,000 in 1997 from \$120,600,000 a year earlier, reflecting the decrease in realized precious metal prices and the payment of cash taxes. The company paid income and mining taxes of \$73,900,000 in 1997 (which included \$36,200,000 for the 1996 taxation year) as compared to \$8,800,000 in 1996. At 31Dec97 Prime had working capital of \$163,800,000, including cash and short term investments of \$148,200,000.

During 1997, the Eskay Creek mine sold 121,465 tons of ore containing 244,722 payable ounces of gold and 11,800,000 payable ounces of silver, equivalent to 417,303 ounces of gold compared to 372,279 ounces of gold equivalent in 1996. The increase of 45,024 ounces of gold equivalent in 1997 was attributable to increased ore sales, a 12% increase in gold grade and a decrease in the silver to gold equivalency ratio. Total cash costs, including third-party smelter costs, decreased 8% to US \$157 per gold equivalent ounce at Eskay Creek compared to 1996. Increased production and mining productivity gains contributed to the decline in cash costs.

Significant to Prime's long term operating plan for Eskay Creek was the construction of the new gravity/flotation mill facility. Construction of the mill was completed in November 1997 at a cost of \$17,000,000. The mill, which is expected to increase annual production over the mine's remaining life, will improve the

profitability of certain Eskay Creek ore that would otherwise be shipped directly to third-party smelters and permit the treatment of ore that previously was uneconomic. The mill began commercial production 1Jan98 and is performing at design specifications.

Eskay Creek production for 1998 is estimated to be 245,000 payable ounces of gold and 11,000,000 payable ounces of silver at a total cash cost of US \$161 per gold equivalent ounce. The company will continue its exploration efforts around Eskay Creek in 1998 where program expenditures are planned at \$4,900,000.

Prime's production at the nearby Snip mine was 115,644 ounces of gold in 1997, compared to 101,827 ounces in 1996. On a 100% basis, Snip's production declined 6% in 1997 compared to 1996. However, due to Prime's increased ownership in Snip, its share of production increased by 13,817 ounces in 1997.

- CONTINUED ON PAGE TWO -

104B8

p. 10f2

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CONTINUED FROM PAGE ONE - As expected, total cash costs per ounce increased to US \$213 in 1997 compared to US \$190 in 1996. By year end, almost 80% of ore processed was extracted using more labour intensive conventional mining methods as compared to 70% at the end of 1996.

Prime's \$2,500,000 surface and underground exploration program in 1997, failed to intersect additional ore grade mineralization. Surface exploration has been suspended and a limited drilling program is scheduled for the first quarter of 1998 to test the remaining underground exploration targets.

Based on 1Jan98 proven and probable reserves, the Snip mine has a remaining life of 18 months. Gold production in 1998 is expected to decrease to 100,000 ounces. However, total cash costs are expected to remain near current levels of about US \$225/oz.

Exploration expenditures were \$8,700,000 in 1997 compared to \$8,900,000 in 1996. Surface and underground programs at the Snip and Eskay Creek mines accounted for 82% of the expenditures. The balance of exploration was for the company's share of the joint exploration programs with Homestake Canada Inc. conducted in Ontario, Quebec, Yukon Territory and BC.

The programs at Eskay Creek and Snip were successful in adding reserves containing 395,000 ounces of gold and 18,000,000 ounces of silver, before considering production in 1997. This was accomplished at an average cost of \$11 per gold equivalent ounce. January 1, 1998 ore reserves are estimated to contain 2,689,000 ounces of gold and 117,000,000 ounces of silver, for a gold equivalent ounce reserve of 4,208,000 ounces. For the purposes of the ore reserve calculations a conservative ratio of 77 ounces of silver equals one ounce of gold was used.

Prime will continue to explore in Canada in 1998. Particular emphasis will be placed on the region around the Eskay Creek mine, where the company has continued to acquire land through agreements and staking. The 1998 first phase exploration budget has been set at \$6,900,000 and additional funds will be made available if success warrants.

In another development, Ronald Parker, president/CEO, has resigned. He also resigned as president of Homestake Canada Inc. effective immediately. Gillyeard J. Leathley, a director of Prime Resources, and senior vice president, operations, for Homestake Mining, has been appointed acting president/CEO of Prime Resources Group.

Homestake Canada Inc., a wholly owned subsidiary of HOMESTAKE MINING COMPANY [HM-NY], owns 50.6% of Prime's shares and has been contracted by Prime to provide exploration, managerial and administrative services. (SEE GCNL NO.29, 11Feb98, P.3 FOR GNC PROJECT INFORMATION)

104B 8
p. 2 of 2