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George Cross News Letter

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PRIME RESOURCES GROUP INC.

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

YEAR ENDED DECEMBER 31, 1995	1994
REVENUE \$ 155,900,000	
NET EARNINGS 36,500,000	\$ 7,100,000
EARNINGS PER SHARE 48¢	10¢

NET INCOME INCREASES 412% - Prime Resources Group Inc. reports financial and production results for the year ended 31Dec95. The successful start-up of the Eskay Creek gold/silver mine north of Stewart, B.C. has had a major financial impact on the company. Cash and short term investments increased to \$69,100,000 at 31Dec95 compared to \$700,000 a year earlier and cash flow before working capital adjustments increased to \$88,100,000.

Payable gold and gold equivalent in ore and concentrates sold was 382,610 ounces during 1995 compared with 51,592 ounces in the year ended 1994. Total cash costs, which include estimated third-party smelter costs, were US \$184 per gold equivalent ounce, a 6% increase from the US \$173 recorded in 1994 when Prime's production was exclusively from the nearby Snip mine. About one-third of Prime \$155,900,000 in product sales revenue during 1995 was attributable to Eskay Creek's silver production. The mine produced 9,950,000 ounces of silver in the first year of operation to make it one of the larger silver producers in the world.

The Eskay Creek mine exceeded expectations. Shipments of ore to smelters in Japan, Quebec and Mexico were 5% ahead of plan during the year. Gold ore grades were as predicted and silver ore grades were 20% above the average ore reserve grade. Total cash costs per ounce of gold equivalent at Eskay Creek were US \$185 in 1995 and are expected to remain at this level during 1995.

In 1995, mine development was accelerated to open more production areas, thereby increasing the mine's flexibility. Mining flexibility is crucial in optimizing ore blending to take advantage of differences in smelter terms. Optimizing the ore blend will require grades to be near the life-of-mine average reserve grade in 1996.

At the Snip mine, gold produced in dore and concentrate was 128,274 ounces in 1995. Prime's 40% share was relatively unchanged at 51,310 ounces compared to 51,592 ounces in 1994. Total cash costs increased US \$2 to US \$175 per ounce in 1995. The use of less productive conventional mining methods to extract ore will increase in 1996. As a result, it is expected that a 5% decline in tonnage mined and processed will be accompanied by a modest increase in total cash costs.

Exploration activity was focused primarily in the immediate vicinity of the Eskay Creek and Snip mines. At Eskay Creek, the

1995 surface diamond drilling program was successful in intersecting two areas of high grade gold and silver mineralization called the NEX and Hanging Wall zones. Further drilling enabled Prime to estimate a diluted geological resource of 227,000 tons grading 0.88 oz. gold/ton and 56.2 oz. silver/ton in these two zones.

Prime, together with joint venture exploration partner, Homestake Canada Inc., also expanded the search for new reserves throughout Canada. The company currently is participating in active programs in the Yukon, southern BC, Ontario and Quebec.

Exploration expenditures were \$2,100,000 in 1995, a 27% increase over 1994. The successes achieved near Eskay Creek and Snip are part of the reason for a planned 325% increase in exploration program spending in 1996 as the company concentrates on reserve replacement and growth.

In December 1995, Prime and Homestake completed the purchase of an approximate 6% and 7% interest in junior exploration companies TEUTON RESOURCES CORP. [TUO-V] and MINVITA ENTERPRISES LTD. [MVE-V] respectively. Teuton and Minvita will spend a minimum 90% of the proceeds of this private placement on the exploration of their jointly-owned gold property in northwestern B.C. Prime's 49% share of this investment was \$1,300,000 and as a condition of purchase, the company received a right of first refusal on the property.

Prime holds a 100% interest in the Eskay Creek mine and a 40% interest in the Snip mine. Homestake Canada, a subsidiary of Homestake Mining Company of San Francisco, owns about 51% of Prime's outstanding shares and has been contracted by Prime to provide managerial, technical and administrative services. (SEE GCNL NO.42, 28Feb96, P.4 FOR RELATED SNIP MINE DATA)

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