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George Cross News Letter

"Reliable Reporting"

WESTERN CANADIAN INVESTMENTS

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NO. 148 (1997)
 AUGUST 1, 1997

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PRIME RESOURCES GROUP INC.

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

THREE MONTHS ENDED JUNE 30, 1997	1996	
REVENUES		
GOLD/ORE SALES	\$52,695,000	\$52,164,000
INTEREST/OTHER	1,056,000	1,120,000
COSTS & EXPENSES	35,102,000	31,744,000
NET INCOME	7,606,000	10,202,000
NET INCOME PER SHARE	10¢	13¢
AVG NUMBER OF SHARES	76,074,000	76,074,000

SIX MONTHS ENDED JUNE 30, 1997	1996	
REVENUES		
GOLD/ORE SALES	\$99,984,000	\$100,447,000
INTEREST/OTHER	2,115,000	2,381,000
COSTS & EXPENSES	102,099,000	102,828,000
NET INCOME	62,214,000	52,876,000
NET INCOME PER SHARE	22¢	31¢
AVG NUMBER OF SHARES	76,074,000	76,074,000

SIX MONTH REPORT - Ronald Parker, president, Prime Resources Group Inc., reports financial results for the three months ended 30Jun97; see table above. SEE PRODUCTION HIGHLIGHTS OVERLEAF P.4. For the three months ended 30Jun97 gold equivalent production increased 14% compared to 1996 as a result of the purchase of the additional 60% interest in the Snip mine north of Stewart northwest BC on 30Apr96 and improved gold grades at the nearby Eskay Creek mine. Total cash costs in the current quarter, including third party smelter costs, decreased 3% to US \$171/oz gold equivalent compared to US \$176/oz in the second quarter of 1996.

The increase in gold equivalent production in the second quarter of 1997 was sufficient to offset the impact of declining gold and silver prices. The company's average realized gold price decreased US \$47/oz to US \$343 while the silver prices was US \$4.80/oz down US 50¢ compared with the second quarter of 1996. However, Prime still generated net cash flow of \$20,900,000 in the second quarter and working capital increased to \$151,200,000 by 30Jun97. Lower precious metal prices and an increase in the effective tax rate combined to decrease 1997's second quarter earnings, despite the 14% increase in production and reduced cash costs.

At the Eskay Creek mine, the 6.5% increase in production was due primarily to higher gold grades. Increased productivity, decreased underground development and higher production decreased total cash costs to US \$157/oz gold equivalent in the second quarter of 1997, a 9% improvement compared with US \$173/oz reported in the similar period in 1996. On July 3, the Eskay Creek mine received regulatory approval for its mill expansion project. Construction of the facility, estimated to cost \$17,000,000, has started with completion and commissioning expected by year end.

Increased production at Snip reflects Prime's 100% interest in the mine for the entire second quarter of 1997. Total cash costs increased 13% to US \$216/oz compared to the second quarter of 1996, primarily as a result of extra freight charges incurred to lower

the level of on-site concentrate inventory. Cash costs are expected to return to more normal levels for the remainder of the year.

Exploration expenditures were \$2,600,000 for the second quarter of 1997 as compared to \$2,500,000 during 1996.

The 1997 exploration field season began during the second quarter with surface drilling programs at Snip and Eskay Creek, augmenting the 14 hole drill program already underway at the Ample Goldmax property. Prime and exploration joint venture partner Homestake Canada Inc. started geophysical assessment, mapping and prospecting work at the Marchand property on the Destor-Porcupine geologic break in northeastern Quebec. Prime expects to drill this property by year end. In addition, the BC and Yukon project teams and the Heidi property field crew have mobilized.

Extensive in-mine exploration continued at Snip and Eskay Creek where over 51,000 feet and 18,000 feet of underground exploration diamond drilling have been completed.

On 30Jun97 Prime agreed to buy 1,200,000 flow-through and 300,000 shares of KENRICH MINING CORP. [KRC-V] for \$1,500,000. A total of 80% of this amount will be used to explore a 6,000 hectare portion of Kenrich's 100% owned Corey property located just south of the Eskay Creek mine. Prime can earn up to 70% interest in the Prime Block by spending \$1,600,000 on exploration over eight years. The Prime Block contains a 12 km length of prospective Eskay Creek type stratigraphy. Prime will plan and carry out all exploration on the Prime Block. Field crews will mobilize in August to diamond drill this season.

Prime is on schedule to achieve its 1997 production target of 495,000 ounces of gold equivalent at a cash cost of US \$175/oz. With the addition of the Marchand and Chopin properties, and the Kenrich equity investment, Prime's 1997 direct and indirect exploration spending will increase to about \$8,000,000 from the planned \$6,000,000.

Prime shares began trading on the American Stock Exchange July 31 under the ticker symbol PRU. Prime owns the Eskay Creek and Snip gold mines. Homestake Canada Inc., a wholly owned subsidiary of Homestake Mining Company of San Francisco, owns 50.6% of Prime's shares and has been contracted by Prime to provide exploration, managerial and administrative services. (SEE GCNL NO.138, 18Jul97, P.5 FOR ISKUT RIVER PROJECT DATA)

104B 8
 p. 1 of 2

PRIME RESOURCES GROUP INC.

PRODUCTION HIGHLIGHTS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
Production (ounces)				
Eskay Creek Mine ⁽¹⁾				
Gold	56,527	51,734	110,864	111,654
Silver	3,204,150	3,170,407	6,026,444	6,022,336
Snip Mine ⁽²⁾				
Gold	31,275	21,203	59,523	32,955
Total Gold and Gold Equivalent ⁽³⁾	132,212	115,983	255,039	227,143
Total Cash Costs (US\$ per ounce AuE)				
Eskay Creek Mine	\$ 157	\$ 173	\$ 161	\$ 167
Snip Mine	216	192	210	190
Average Cash Costs	171	176	173	170
Noncash Costs (US\$ per ounce AuE)				
Eskay Creek Mine	\$ 31	\$ 40	\$ 33	\$ 43
Snip Mine	116	151	117	120
Average noncash costs	51	60	52	54
Total Costs (US\$ per ounce AuE)				
Eskay Creek Mine	\$ 188	\$ 213	\$ 194	\$ 210
Snip Mine	332	343	327	310
Average total costs	222	236	225	224

(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. These ratios were 72 ounces and 74 ounces of silver equals one ounce of gold for the three months ended June 30, 1997 and 1996 respectively, and 71 ounces and 73 ounces for the six months ended June 30, 1997 and 1996, respectively.

(2) Effective April 30, 1996 Prime increased its interest in the Snip mine to 100% (40% prior to April 30, 1996).

(3) Includes ounces contained in dore, concentrates and ore sold.

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