

used which reflected actual operating costs encountered in 1991. This resulted in a substantial reduction of the reserve base. These costs factors, coupled with the strong probability that the mining of the remaining sulphide-rich deposits would create unacceptable environmental liabilities through acid generation, effectively renders the remaining mineralization on the AI Property uneconomic.

J&L Property

The Cheni-BRGM joint venture carried out an aggressive underground exploration program of drifting and diamond drilling over the period October, 1990 through May, 1991, with an expenditure of \$3.2 million. This work was followed by a surface program during the 1991 field season. The total expenditure to date is approximately \$4 million for the joint venture.

The mineral inventory base for the J&L is divided between the Main and Yellowjacket Zones. The latter is a clean lead-zinc-silver zone which lies in the hangingwall towards the west end of the present mine workings. The Main Zone is a continuous arsenical sulphide zone which contains gold, silver, lead and zinc. The mineralization has been followed underground by drifting and drilling along a strike length of 1,200 metres and has been traced on surface in excess of 3 km.

Approximately 1 million tonnes grading 52 g/t of silver, 2.47% lead and 7.09% zinc, has

been calculated as a combined probable and possible inventory for the Yellowjacket. A probable inventory of 1.7 million tonnes grading 7.38 g/t gold, 75.9 g/t silver, 2.64% lead, and 4.43% zinc is assigned to the Main Zone, with an additional possible inventory of 1.9 million tonnes of similar grade. The Main Zone is open to depth and along strike, and has the potential to host reserves in excess of 5 million tonnes. The Yellowjacket is open down-plunge to the southeast.

Metallurgical test work has been carried out continuously, with the result that a flotation process has been developed which is able to separate pyrite and arsenopyrite. The resulting concentrate grade can be increased from 12 grams of gold per tonne to in excess of 36 grams per tonne. The study has progressed to the stage of a pilot test in column flotation cells. This stage of the work is being carried out by the BRGM in their laboratories in Orleans, France. To date the results are very encouraging.

Surface exploration during the 1991 field season successfully demonstrated continuity of the Main Zone structure along a strike length of 4.5 km. These extensions represent targets of merit for future exploration. For the present, efforts will concentrate on the delineation and expansion of present reserves.

Exploration work on the property has been deferred for 1992 in light of the financial difficulties the Company is presently experiencing.